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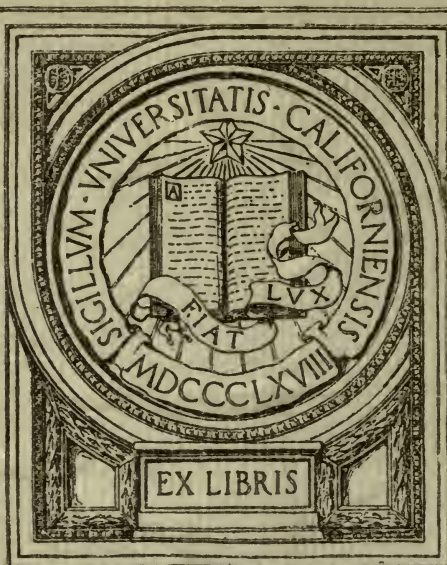


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Official Proceedings Central States Conference *on* Rail and Water Transportation



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Under the Auspices of the
Evansville Chamber of Commerce
Evansville, Ind.
December 14-15, 1916

Official Proceedings

of

Central States Conference

on

Rail and Water Transportation

Held Under the Auspices of the

Evansville Chamber of Commerce

Evansville, Indiana

December 14 and 15, 1916

UNIV. OF
CALIFORNIA

FOREWORD

Realizing the vital interest of the business men of the nation in a sound solution of the problems involved in the question of transportation legislation, now engaging the attention of the administration and Congress, it was suggested to the Evansville Chamber of Commerce by Mr. Henry C. Murphy, its retiring president and a member of its Board of Directors, that this Chamber of Commerce might render a valuable public service.

Mr. Murphy's plan, which has since come to be widely known as "The Evansville Plan", was outlined to the directors of the Evansville Chamber of Commerce, and approved by them on November 11th, 1916, and was consummated in the Central States Conference on Rail and Water Transportation, held in Evansville, Indiana, on Thursday and Friday, December 14th and 15th, 1916.

The purpose of the Conference was to arouse business men to a realization of their interest and responsibility in the formulation of legislation on the subject of transportation. It was thought that if a conference of business men, representative of the six central western states, Indiana, Ohio, Kentucky, Tennessee, Missouri and Illinois, should be arranged, with a program including addresses by men of national prominence and importance, representative of all sides of the transportation question, namely: the Railways, Labor, the Investor, the Shipper and the Public; and providing also for open discussions by participants in the Conference, so that each might have an opportunity to present his views and his judgment of the attitude of his community as he conceived it, the way might be paved for much helpful publicity of the transportation problems, not only in the region covered by the Conference, but throughout the nation. From the attrition of minds thus brought together in earnest discussion and enlightened by the presentation of the various aspects of the subject by leading authorities, it was thought some common ground of agreement on at least some phases of the subject might be found and expressed in resolutions reflecting prevailing sentiment of the Conference. Thus a stimulus might be given to the discussion of the transportation problem through the adoption by other cities of the "Evansville Plan" or in some other way devised by them.

The idea of having a regional Conference comprising six states was that in this way efforts might be concentrated, and business men and representatives of civic organizations might attend with little expense and loss of time. Upon this theory the plan was prosecuted.

In more than two hundred and fifty cities and towns in the six states, the newspapers, the leading business men, including the officers and directors of all the banks, and all of the Chambers of Commerce and other civic organizations, were furnished with the program of the Conference and full information about its purpose and scope.

Forty thousand circulars and programs were distributed. More than three hundred commercial organizations were furnished with literature,

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and over twenty-five thousand letters were sent out by the Evansville Chamber of Commerce.

Fifteen thousand telephone messages calling attention to the Conference in over two hundred cities and towns, were delivered by local telephone to carefully selected lists of prominent and public spirited business men.

More than three hundred newspapers in the six states carried articles on the Conference, and many of them also commendatory editorials. In other states, from coast to coast, the leading dailies carried articles on the Conference and its possibilities.

Thus, as was contemplated, a vast amount of most valuable publicity was given to the vital importance of the transportation question.

The President of the United States, members of Congress, and leaders in the movement for constructive legislation for the best interest of the nation, have expressed their unqualified approval of the purpose of the Conference and their interest in its results.

During the first morning session of the Conference, President Wilson sent the following message by telegraph:

"May I not send my greetings to the Central States Transportation Conference and express my deep interest in the great questions it has assembled to discuss. I wish that I might have the benefit of hearing these discussions."

(Signed)

WOODROW WILSON.

It is confidently hoped that the wide distribution which will be made of this report of the proceedings of the Conference will serve to stimulate further discussion of the question and aid the law-makers in formulating sound and constructive legislation.

Evansville, Ind.

EVANSVILLE CHAMBER OF COMMERCE.

THE CENTRAL STATES CONFERENCE

The Conference was called to order at 10 a. m. Thursday, December 14, 1916, by Chairman Henry C. Murphy, publisher of the Evansville Courier, with delegates and visitors from Indiana, Illinois, Tennessee, Ohio, Kentucky and Missouri in attendance.

Following the invocation by Rev. William N. Dresel, of Evansville, Mayor Benjamin Bosse delivered a cordial address of welcome, into which he introduced many pertinent and significant allusions to the difficulties involved in any proper solution of the transportation problems.

Chairman Murphy then addressed the Conference as follows, his subject being "Purpose and Scope of The Central States Conference."

Plan to Build Up Carrying Facilities.

If I have a correct conception of the purpose of this conference, we are here, not to damn the public, as did a famed railroad magnate in an ill-considered moment, nor to damn the railroads, as too many hot tempered Americans have been doing for many years. Instead, we have come to this meeting to help to dam the waterways that they may serve their full function as real factors in our national system of transportation. Finally, we are here to develop and adopt a constructive program that may contribute in some measure to dam the flood of adverse criticism and hostile legislation to which the American systems of transportation have been subjected for more than a decade—legislation and criticism that has retarded progress, growth and development, not only of the railways and waterways, but of the business of the nation—your business and my business.

Huxley defined the first agnostic as the man who was the first to see that clear knowledge of what one does not know is quite as important as knowing what one does know. The sanctification of doubt had its origin in the intellectual and moral strength of Socrates, to be further sanctified in a later century by the luminous mathematician Descartes. Had Huxley's agnostic been fortunate enough to be associated with the intellectual followers of Socrates and Descartes and had the group been faced with a transportation problem such as we face today they promptly would have called a conference and invited to it the Thoms, Lees, Walshs, Trumbulls, Muirs, Kingsburys, Lathrops, Leighs, Bellevilles and Thornes of their day. After listening to the views and judgments of these men, they would have formed honest, just conclusions, settled on a definite, thorough and adaptable policy, and, through it, found a way out of their difficulties.

All Not Well With Transportation

The Central States conference, which we today bring into being, is composed, I hope and believe, of doubters of the Huxley type. Each of us comes here with the knowledge, vague or certain, that all is not well with the transportation systems of the United States; that the doctors and nurses are worried about their patients' condition; that the remedies previously administered have had but temporary beneficial effect. Some of us are optimistic enough to believe the attack merely an insignificant indisposition, due to high living and a consequent inactive liver, to be alleviated by time and clearer weather.

Others regard the illness as more serious, but not necessarily fatal. Their theory is that the patient is suffering from mal-nutrition, due to too economical supervision of diet by a parsimonious guardian, and that a speedy cure can readily be accomplished by furnishing a larger and more varied regimen of food and drink, expressed in terms of higher tariffs, with relief from the mischievous, nerve-racking demands for small change and frequent holidays of the patients' children, as represented by labor unions.

Some of us may be utter pessimists, thoroughly discouraged and distraught, certain that the malady is of a fatal nature, which will respond to no treatment, however scientific. Such believe the very vitals of the patient are so diseased that it is folly even to attempt to stay the surgeon's knife. They see the undertaker, in the person of Uncle Samuel, just beyond the portals of the sorrowing household and, as discerning, provident and time-saving men, they would call in that undertaker, even though the corpse is not ready. They argue he is a busy person, this undertaker, and economy for him and everybody concerned will result if he can have a look about, measure the almost moribund shape on the bed, and start making preparations for what is to happen the day after tomorrow. Further than this, they would bring in the lawyer and appraiser that a quick inventory be made of the chattels and realty of the about-to-be lamented.

Diversity of Opinion

To repeat, each of us is convinced there is sickness in the house, though the authorities have not yet tacked up the yellow flag. Probably each man before me has a well-defined opinion of the course properly to be pursued by the medical men who are in charge of the situation—our nation's president—the surgeon-in-chief—and his assistants—the members of the Interstate Commerce board, Congress and the various state commissions. Diversity of opinion as to what serum should be injected to aid the sick body is common among us. Each one of us may think himself fully competent to diagnose the ailment and treat the ill person and too many of us, I fear, are inclined to proceed in haste, using the remedies within easy reach, while some, and they are not an insignificant few, favor a quick incision with the scalpel.

One of the main reasons for America's commercial supremacy is to be found in the personal egotism of the American business man. His innate esteem for his own capacity leads him to attack any problem and any undertaking, no matter what its proportions, with sublime self-confidence and assurance that brooks no thought of failure. He has conquered equally perplexing situations before and is disturbed by no fear that a solution to the vexed new question is impossible.

Our conference is representative of American business men of this very type, and their presence here in such large numbers leads me to think they are about to attack another problem. This question, though not new, in recent months has presented phases that are constantly changing as kaleidoscopic variations occur in our industrial and commercial life. This problem—the grave, internal question confronting the American people today—is defined tersely, yet completely, in the query, "What shall be done for and with the American railways and waterways?" We are

here at this conference to answer that question for the business men of the Central States.

President Wilson Interested

When the plan of the Evansville conference was outlined to President Wilson, he caught its significance immediately and enthusiastically applauded the idea, voicing a hope that other cities may follow Evansville's lead with the result that regional conferences all over the United States might be called. The president further gave it as his opinion that constructive policies should result from our deliberations and praised a movement broad enough to include in its program every side and angle of the transportation question.

I mention Mr. Wilson's views, not with the thought of exploiting our initial adventure in the uncharted wilds of business congresses, nor to emphasize the worthiness of our idea, but rather to indicate the trend of the executive's thought. As I view this expression, I take it that he feels the need of suggestion and counsel, and he looks to the business men of East, West, North and South to volunteer as guides to lead him and congress out of the Hercynian forest.

I may exaggerate the importance of this conference and the other sectional councils that are sure to succeed it, but it is my firm belief that only by means of these assemblages will be found a just and true solution of the transportation problem. The whole truth about the railways is not to be discovered at a board meeting of railway presidents, nor in a conclave of brotherhood trainmen, nor in a shippers' convention, nor yet in the sessions of congress or of the commissions handling transportation matters. But it may be dug out of the mass of testimony offered by the witnesses for the various sides to this controversy and it will be revealed if we are honest in our search for it and listen with impartial ear to the advocates of the various parties at interest. The task is one to appall a Sisyphos, but Americans tolerate no laissez faire policy when vital issues are at stake.

Magnitude of the Problem

Statistics are exceeding tiresome and should not be allowed to intrude themselves in a well-ordered conference. Realizing this, I hesitate to offer figures, but I want every individual here to realize the magnitude of the problem with which we deal. To do this, you must know we are concerned with questions involving railroads which operate over 380,000 miles of track, with investments in road and equipment aggregating over twenty billions of dollars. When we comprehend that this vast sum represents fully as much as the total wealth of a great nation like Italy, we are staggered by its significance.

These roads, and I should explain I do not include the intra-state carriers in these figures, but only those reporting to Washington, carry over a billion passengers per year and transport freight amounting to nearly two and one-half billion tons. The annual gross revenues of these carriers now exceed three billions with a yearly distribution for expense of approximately \$2,500,000,000. In the management and operation of these systems, nearly two millions of individuals find employment—the number varying by hundreds of thousands with the ebb and flow of prosperity and its hand maiden, Commerce.

The figures are astonishing by reason of their immensity and the problems that confront government in its regulation of the carriers and the railways in their relation to government and people are equally bewildering.

Within the past sixty days the significant announcement was published that 1,100 miles of new railways in China had been financed by American capital and would be constructed under American supervision. The work will require an expenditure of approximately \$100,000,000.

Do you find pregnant meaning in that announcement of the American International Corporation? You will when you think of it in connection

with the difficulties American railroads have in obtaining capital needed for rehabilitation and development. With the stock of money gold in this country standing at \$2,750,000,000—an increase of \$700,000,000 over a year back—with \$4,500,000,000 of actual money in circulation among our people, with business at such a peak that the railroads are 108,000 cars short of the urgent demand—with all these evidences of utterly unprecedented material well being, where could one find a man or group of men, willing to finance and construct 1,100 miles of new railway in the United States? I venture the belief that the needed capital would be hard to find.

Only 2,500 miles of rail were laid in the United States in 1914, and in 1915 the new mileage laid down was insignificant—less, I have read, than was built in any single year since the Civil War. Since 1906 our total mileage has increased only 28,000 whereas our proper internal development demanded an increase of 100,000 miles.

Meaning to Business and the Home

The import of this tremendously significant fact has dawned on the man who is paying \$4.00 or \$5.00 per ton for coal, whereas his usual cost is under \$3 and to the housekeeper who checks his or her monthly grocery, butcher and department store accounts. The high cost of living, about which newspaper paragraphers love to dilate, has a direct relation to the lack of railroad development. And back of this insufficiency of mileage is the timidity of capital and back of this timidity of capital is the reckless and dishonest railway management of an earlier era and the consequent destructive public criticism and hostile legislation.

It is axiomatic that the permanent prosperity of the nation and of business in general can not be disassociated from the prosperity of the railways. One is utterly dependent upon the other. Prosperity is epidemic in America today, but the stabilization of railway credit is as far distant, despite prosperity, as it was in the lean days before we were engulfed by the tidal wave of foreign gold.

Just as good wagon roads bring reduced operating cost to the farmer and lowered living expenses to the city workman so highly developed railways, constantly growing and expanding with the country's growth and development, will bring similar and larger benefits in which we all shall share.

More attenuated remarks from the temporary chairman might have been expected and relished, but I have deemed it wise to elaborate fully the diverse issues that confront us. I have introduced little as bearing on the needs of waterways and I want just a word on that topic. So long as the great newspapers of America—journals like the Chicago Tribune, New York Sun, Boston Herald, Philadelphia Ledger and others equally prominent—persist in associating the word "pork" with the canalization of our great inland water carriers, such as the Ohio, the Mississippi and the Missouri; so long as they connect these absolutely worthy plans with the improvement of Billious Creek and Stickfoot Lake, just so long we shall have a popular misconception of honest, necessary—nay, vital projects, I need not tell you that the popular misconceptions produce no constructive congressional legislation and mighty few dollars in the way of appropriations.

Cannot Remain Neutral

The business interests of this land cannot remain neutral and unconcerned in the present situation. We must cease being commuters on the line of least resistance. If politicians are to be the pilots of the transportation ship they will steer a course for the harbor of government ownership. Siren voices will sing the glories of that calm refuge for storm wrecked ship and sailors. If we are wise we shall follow the advice of Circe to Ulysses and stop our ears with wax to avoid the enchanting refrain. My plea today is that you gentlemen who honor Evansville by

your presence give to the coming speeches and debates calm, dispassionate attention. Hear each and every side before you pass your final judgment. Whatever your present emotional bias, and I fear each of us is conscious of some emotion and some bias, I urge that it be set aside and forgotten, that all the evidence may be weighed conscientiously before a verdict is rendered.

My fervent hope is that we may equal the expectations of Woodrow Wilson and by the attrition of many minds give to America the sensible, just, progressive and sane solution of our transportation problem.

After a brief discussion among the delegates concerning the order of procedure, Henry C. Murphy was elected permanent chairman and Robert Bonham secretary of the Conference. The delegates then voted unanimously to adopt the following plan of procedure:

1. All non-resident participants in the Conference shall register with the Secretary.

2. Only registered participants and members of the Evansville Chamber of Commerce shall be entitled to a voice and vote in the Conference proceedings.

3. The order of business shall follow the printed program prepared for the Conference.

4. A five minute limit shall apply to all remarks outside the program, unless express consent be given by the Conference.

5. All voting shall be viva voce or by division.

6. The Chairman of the Conference shall appoint a committee of eleven on resolutions and this committee's report shall come up for discussion at the afternoon session of Friday, December 15th.

7. All resolutions offered must be in writing and shall be referred by the Chairman to the committee on resolutions without debate.

The Chairman thereupon introduced Mr. Alfred P. Thom, Counsel for the Railway Executives' Advisory Committee on Federal Legislation, and General Counsel of the Southern Railway, alluding to him as one of the most conspicuous figures now before the public in connection with the transportation problem.

Mr. Thom then delivered a remarkable address, choosing as his topic "The Government and the Railroads."

The Government and the Railways.

By Alfred P. Thom

Counsel Railway Executives' Committee on Federal Legislation

Mr. Chairman, Mr. Mayor, and gentlemen of the Conference: I think it is a matter of national congratulation that there has been wisdom and initiative enough in the City of Evansville to bring together a conference on this tremendous question. At last the problem of transportation has come out into the sunlight of public consideration and discussion. To my mind it is a most momentous question that confronts the American people. It is the foundation of their entire commercial and social life. It is the means by which communities and individuals communicate and trade with one another. It is the one thing that is absolutely essential to the greatness and the glory of our nation.

I have no doubt from things that have come to me from time to time that the real transportation question is somewhat obscured by the idea that it means questions arising out of the Adamson act. That is a mere incident in the problem. Long before the recent controversy between the employers and the employees of the railroads occurred, the more fundamental questions of the relations of government to the railroads had arisen, and President Wilson in his address to Congress on the 7th of last December, a little more than a year ago, brought this question prominently to the attention of Congress and suggested a comprehensive study of the whole question of transportation in all its relationship, so that, "a new appraisalment" in his language, might be had of the twenty-nine years of experience of regulation in this country, so that we might readjust our views in any matter where readjustment was necessary in order to come to a correct solution of this problem.

In defining the problem, in ascertaining just what it is that we have to do with, it may be helpful to you, as it has often been helpful to me, to review to a certain extent the history of governmental regulation of railroads of America. At the outset of that consideration it is necessary for us to bear in mind the contrast between the systems of regulation adopted by the government in respect to other great public institutions and the system of regulation adopted by the government in respect to transportation.

As an illustration of what I mean, I ask your attention to the difference between governmental regulation as applied to the banking systems of the United States and governmental regulation as applied to the railways of the United States.

The system of regulation of banks had its inception when the banks had their inception. It was created as a part of a system which was to create an efficient banking system for all the people of America. It was a part of a great constructive work. It was not adopted in the spirit of antagonism to the bank nor in a spirit of criticism, nor in a spirit of outrage coming from abuse; but it came as a natural and constructive part of building up a banking system and possessed all the elements necessary to construct a system which would create adequate commercial banking facilities for the people of this country.

The history of regulation as applied to the railroads is just the contrary. It was adopted long after the railroads had come into existence. It was not a part of an entire constructive scheme. The railroads had not been built by government. They had not been organized by government. But they came into existence as a result of private enterprise and initiative. They were everywhere welcome. Subsidies were voted for them. The most liberal charters were granted. Land grants were given to them, the great fundamental and controlling public purpose being to obtain

them as a means of intercommunication between men and communities. None of the possible abuses had then appeared. Every public purpose was concentrated upon the necessity of bringing them into being and of providing the inducements essential to that end.

Now, the men that built the railroads were men. They had human instincts and human frailties just as other men had; and the result of the welcome which was thus given, the result of the inducements which were thus offered, the result of the undeveloped public condition of public mind in respect to them was to create the impression upon the men that built those railroads that they were building and were owning a piece of private property. That is not to be wondered at. That was the inevitable result of the methods which were adopted and of the encouragement that was given.

Soon after this matter of railway transportation passed into another stage. The use of these great properties for private ends, the sale of their services to the man to whom the sale could be made most advantageously to the owner, on different terms at wholesale to the large dealer than were given at retail to the small dealer, the exploiting of their securities on the markets for the private purposes of the owner, all these things were the natural outgrowth of the conception that these properties were private properties just as other private property was private property.

But as time progressed it became apparent that the power of controlling transportation was too great in its influence upon the destinies of communities and of men and of nations to be permitted to go uncontrolled, that the possession of a power so immense that it made and unmade prosperity, that created cities, that made the destinies of nations, should not be left in the hands of their private owners unrestricted by the imposition of the conception of a public obligation. So that on the one side there still was the conception of private property with all the rights of private property and on the other there was a growing conviction that a power so great, with consequences so immense, should not be left in the uncontrolled possession of people that built it.

Now, gentlemen, we have all come to see that the public conception of these instrumentalities of commerce was a sound one. We have all come to see that no other conception could be permanently tolerated. But that did not prevent a bitter fight between the men who went into the enterprises with the encouragement and belief that they were private enterprises and the men that were insisting on the public conception of a higher obligation to the whole people.

Rebates, whereby one man was favored over another, the affording of facilities to one concern and the denial of them to another, favoring rates to certain communities which were denied to others, all were abuses which could not be permanently tolerated, and the fight for a system of regulation as applied to the railroads was a fight between those men who wished to impose the public conception upon the private owner and the private owner who wished to resent any interference of his supposed rights.

The battle went on with fierceness. It was ultimately won, as it was inevitable that it must be won, by the sound public view that a power so immense imposed certain public obligations which must be recognized. But when the question of imposing a system of regulation came, it came with a demand from a people enraged by the denial of just rights, by the existence of far-reaching abuses and the terms imposed were the terms which the victor imposes upon the vanquished. It was terms of regulation dealing with the abuses which had been revealed, and dealing with them alone. The system of regulation was a system which was applicable to the removal of abuses and was one that was characterized by the ideas of correction, of punishment and of repression.

That was twenty-nine years ago. The public in making this regulation had no help from the railroads, because they went down as the vanquished in the fight. But the thing that we must remember is the Genesis

of the system of regulation and the character which that Genesis necessarily gave to the system of regulation. Now, the question before the American people is whether a system of governmental regulation can be permanently based simply upon the principles of repression and correction or whether the time has not come now to inquire whether the principles of encouragement and helpfulness and constructiveness must be introduced into it. (Applause)

I realize that in presenting this question I cannot expect from Congress, nor can I expect from the American people, any help to a mere private business. I have no more right in representing the railroads to ask special privileges of government than any of you gentlemen have to ask special privileges of government in respect to your business. I realize that any proposal I shall make, in any suggestion which I shall bring forward, I must consent to have it measured by the public interests, and if it does not come up to that standard, if it does not faithfully measure up to the public interests, then it must be, and it should be, discarded. So that in nothing which I shall say shall I ask for anything on private grounds, but all will be based upon a willingness, at least upon my part, to have my suggestions measured by what the public interests and the public interests alone require. (Applause)

Now, gentlemen, let us see what the public interest is. What is public interest in respect to transportation? Is it an interest primarily or principally in respect to the charges of transportation? Are you, as a fundamental question, most interested in the charges which you have to pay to the railroads? That is a legitimate public interest, but we must recognize that the existing machinery is entirely adequate to prevent exorbitant charges, that there is no demand from any source for amended instrumentalities by which exorbitant charges shall be guarded against. Your Interstate Commerce Commission has power amply able to deal with any question of exorbitant charges. I say that in passing, but I say moreover that your principal interest is not in regard to charges.

Your principal interest is in the existence of means of commercial intercourse, in the entire adequacy of those means to provide for your commercial needs and in the fact that as the commercial and productive industries of this country grow your transportation facilities will grow to keep pace with them.

I cannot forget that I was present in the last day of August at a committee meeting in the capitol at Washington, when a threatened strike, nation-wide in its extent, menaced the continuance of railroad transportation in America. I heard no talk of rates; I heard no talk of charges, but I saw the President of the United States and the Congress of the United States busy only with the question of how the wheels of commerce should be kept running and how the American people could be kept supplied with transportation facilities.

I suppose that there is no man within the sound of my voice who will deny that if it was necessary in order to continue the instrumentalities of transportation, he would be willing, however reluctant he might be, he would at last make the choice of paying double the amount of charges in order to preserve them. The question with America is not the rate of the charges, but the question of the continuance and adequacy of your commercial instrumentalities. Will you permit me to digress and to say that in no move that we are making, in no suggestion that we are bringing forward to Congress, are we trying to get increased charges as a result of congressional action. Our plea to Congress is not that it shall pass a law increasing our charges, but that it shall perfect the instrumentalities of regulation so that when the time comes when charges should be increased or should be decreased, the machinery may respond promptly and in a business-like way to the needs of the situation.

Is there nothing to alarm the American people about their transportation facilities? Has nothing occurred to arrest their attention? Why, let your mind revert to the year 1907, when in the midst of the greatest

commercial movement of the day, there was a sudden panic brought on by the absolute failure of the railroads to be able to transport the commerce that was offered, not enough tracks, not enough cars, not enough yards, not enough of the instrumentalities of transportation to carry the commerce that was offered it. There was precipitated in that year what is known as a panic of plenty.

Last year it was found necessary to set an embargo upon the movement of commerce, especially in the New England states, and so great was that necessity that Commissioner Clark of the Interstate Commerce Commission went with a number of gentlemen, associated with him, to make a study of the situation so that commerce might move; and notwithstanding the effort that he is making that situation has not yet been remedied, because of the fundamental lack of tracks, the fundamental lack of yards, and the fundamental lack of equipment.

Just now as I speak, the commercial capacity of America is crippled by the fact that there is a shortage of cars, an inability to carry the traffic. We must recognize that the transportation capacity of these carriers sets a maximum limit upon the productive and commercial capacity of the people, because a people can not and will not produce more than they can get to a market; and when you reduce to them the facilities of access to market, when you set a limit upon what can be sent to market you set the same limit upon what the people can produce.

So I shall take it for granted that the prime interest of the American commercial man is to be assured of an adequacy of transportation facilities and to be assured that they will always grow to keep pace with the demands of his business, so that an artificial limit shall not be set upon the commercial and productive capacity of America. If I am right in that then I can define an issue which must be accepted by every man that attempts to debate this question, and that issue and that definition is this: Those who demand a change in present governmental regulation must justify that demand by showing that such a change is necessary to the continued efficiency of the instrumentalities of commerce in America, up to the public needs at all times. And those who oppose a change must make their appeal to the public judgment on the ground that no change is needed in order to assure the American people an adequacy and a sufficiency of transportation facilities. Now, I appeal to you for a moment to pause and see if that is not a fair statement of the issues that ought to be debated in the public interest. Those that demand a change should justify their demand in the public judgment and show that the change is necessary to give to the people transportation facilities that are necessary to their needs. And those who oppose any change must justify their demand and their appeal to the public judgment on a proposition that existing conditions do assure to the public an adequate supply of transportation facilities.

Fortunately for us in that debate we have facts to which we may point under an unchanged system of regulation. We have the fact which I mentioned a moment ago of a panic which occurred in 1907, because the facilities were not adequate. The fact of the embargoes that were put upon business last spring because the transportation facilities were inadequate, the fact of the car shortage, which is even now stopping the elevators in the Interstate Commerce building in Washington on account of lack of coal, and the further fact referred to by the President of your Association that in 1916 there was less construction of new railroads in the United States than in any year since 1848, leaving out the years of the Civil War, being less than one thousand miles. There are further facts in our recent history. Those are facts which the men interested in the development of the business of America should bear in mind in considering this question. That new construction, the practical suspension of the building of railways in America, comes at a time when the cost of living is at its highest point. We have heard one political party after another attempt to suggest a solution of this cost of living. You heard one party

say that it was due to combinations and they passed the anti-trust laws. You heard another party say that it was due to a high tariff and they passed a low tariff, and you see that the cost of living has mounted steadily up, notwithstanding all of their legislation. What, gentlemen, about the old and familiar doctrine of supply and demand? Why not try to increase your supply in order to deal with your cost of living? Why not go into the untouched resources of America, to the new fields waiting for the plow and the agriculturalist, to the new mines waiting for the pick of the miner, to the new forests that are waiting for the ax of the lumberman, in order to bring in your new supplies and put them at the feet of an evergrowing and expanding population? And yet, notwithstanding this rule of supply and demand, notwithstanding that law is the inexorable law of prices, you will find that the railroad construction of this country has been practically suspended and there are no new fields being opened and no new mines and no new forests. Isn't that a fact to attract the attention of business men, of all men who are anxious to have a solution of what is a public and a national problem? Is it not remarkable that although under a system heretofore existing we have been able to build 260,000 miles of railroad in America, that all of a sudden the desire of the investor has been stopped, his investments have turned in other directions and the expansion of the railroad system throughout the country has been arrested?

Now, what is the cause of that? What is the cause of it? You will hear those gentlemen who advocate that no change be made proclaim to you that the cause of all of this has been railroad mismanagement and financial dishonesty on the part of those in charge of the railroads. You will hear a great deal about the Alton case. You will hear a great deal about the Frisco case and the Rock Island case and the New Haven. They will tell you that these railroad men have brought the situation on themselves. Now, the man that makes that argument must be able to provide for your need, for future securities by demonstrating that that is the cause of it. If that is not the cause of it, if he is unable to show that it is the cause of it, he introduces simply the doctrine of hate, the doctrine of public condemnation, the doctrine that there should be punishment; but he has solved no problem of the future.

We all know that what has occurred in the Alton case and in the Rock Island case and in these other cases has been ruthlessly exposed by existing methods. We all know that that involves not ten per cent of the railroad mileage in this country. And we all know that in every profession, in banking, in mercantile life, among lawyers, among physicians and I may say among churchmen, there are a certain percentage of men who do go wrong. But we do not abolish commerce, we do not abolish the profession, we do not abolish the churches; we try to do the thing that will make them a more useful instrumentality for the public good.

It is a trying thing, gentlemen, to these men who, engaged in the honest purpose of building up and doing something of first importance to the American people, to find themselves at every turn pointed at with a finger of scorn because somebody else has done this or that. If the railroad management of this country is as a whole dishonest, if they are not to be trusted, then after all these years of purification it has been demonstrated that there is something special in the railroad life to make men dishonest and you will have to do away with it and supplant it by government itself. But I stand before you and proclaim as my solemn conviction that the man, the prevailing type of man in the railroad, is just as honest as the prevailing type of man in any other business and is just as full of purpose to do a good work for the public as any other man. (Applause)

Now, these gentlemen say, "Now, here is the explanation of your difficulty." They don't say to remove it will add to your tracks or will add to your cars or will add to your terminals, but let us look for a moment as to that contention. On the one hand there exists these cases which no

one will deny and which no one will defend. But let me ask you, one of you gentlemen, to come up here as an investor, and you look on the one side, on all of those abuses that have been talked about, but what do you see besides that?

You are asked to invest in a railroad security; what confronts you? The first thing that you see is that your revenues are beyond your own control, that the amount of your revenues is not fixed by your own industry, by your own initiative or by your own genius, but they are prescribed and limited by law. That is the first thing you see. Is there anything in that to make you prefer to invest in that business rather than in some business where, by industry and by economy and by genius, you may be able to increase your revenues up to the point commensurate with your work? Here we have an industry where the revenue level is settled, not by you, the investor, not under your control, but under the control of law. Is that an encouraging condition? You find that it is not only controlled by law, but it is controlled by forty-nine different instrumentalities who can have an effect upon your revenues, not by one body with a large, comprehensive view of the whole American field and its needs, but by forty-nine bodies, one federal and forty-eight states, unco-ordinated with different policies, with differing outlooks, with different ideals, all able to put a restriction upon the amount of your earnings. Now, is that a thing that will induce you to believe that a railroad is a first-class investment?

But let us turn to the other side. What about your expense account? Can you control your expense account? Why, the big bulk of your expense account is created by labor unions. Your expense account is affected by the requirements of public bodies for investment in non-revenue producing sources of expense, I mean non-revenue producing additions to your plant. You can be required to build handsome stations. You can be required to separate grades. You can be required to put extra crews upon trains. You can have your expenses made for you, not by your own idea of what your business requires, but by law, and not by the law of one body, with one outlook, but by forty-nine different law making bodies.

There, you have your revenue side and your expense side beyond your control, your revenue side beyond your control, and your expense side beyond your control. Now, Mr. Investor, what do you see in that situation to attract you into a railroad investment? But, is that all you see?

You see an application made to one of these regulating bodies in one of your states, not far from here, and the commission grants it; and the history of that state is that every time the commission grants an increased rate there is a bill introduced in the legislature of that state to abolish the commission. So that you haven't a fair show, a fair business show for consideration of the question of whether you ought to have additional revenue. Politics comes in and politics threatens the body that passes on your proposal with being abolished in case it passes on it in favor of increased revenue.

But that is not all that occurs. The Interstate Commerce Commission, after long consideration and after a few hearings, increased rates in what is known as the Shreveport rate case, and what was the effect? Two important senators, two men that appeal especially to the progressive sentiment of America, arose on the Senate floor and denounced the Interstate Commerce Commission for having granted that measure of relief. Now, I will ask this investor again, who can't control either his revenue or his expenses, but who when he makes a case before one of these bodies that does control his revenues, finds that body the subject of attack of a most influential character among the law-making bodies on which that body is dependent. Now, is there anything encouraging in that, to make a man come and put his money into railroads?

But, there is another thing to which I would like to call your at-

tention as bearing upon the conclusion that will be reached by Mr. Investor when confronted by this question. Every man of you who owns a piece of property knows that you cannot borrow the whole value of it on that property, that the desirability of the loan depends upon the margin that is left in value. In other words, there is a recognized line of safety between the amount of borrowed money that a man should get into his business and the amount he should contribute himself. Now, the railroad bond represents money borrowed and represents a fixed charge. The railroad stock represents money put in by the owner and it does not involve a fixed charge. Now, there is a line of safety as to how much of the capital of a railroad ought to be contributed, ought to be obtained through mortgages and fixed charges and how much ought to be obtained through stock. Some men say that line of safety is fifty and fifty. Some men say that the railroads can stand a fixed charge of sixty per cent of their indebtedness, if forty per cent is contributed in the way of stock. I have heard no man say that forty per cent is too little to have coming from the stockholder in order to make the bond a staple investment.

Now, what has been the history of railroads in that respect? In 1900 the amount of railroad capital secured through bonds was a trifle less than fifty per cent. It was forty-nine and a fraction, fifty and a fraction being contributed through stocks. In 1914 the amount contributed through bonds had increased to over sixty-one per cent; and in 1916 it is supposed to have increased to sixty-five per cent. So that in the sixteen years since 1900, there has been a growth in the amount that was contributed through fixed charges of one per cent a year, or sixteen per cent, and today the American railways are confronted with the narrow margin of thirty-five per cent only, where the line of safety ought to at least be forty per cent, and some people think sixty per cent. When you ask the investor to invest his money in that he is confronted with this disappearing line of safety and, with its recession beyond the point where it is any longer considered a line of safety.

But more than that is he confronted with? He is confronted by the fact that he can go into other lines of investment which are not subject to these governmental vicissitudes and get greater security and larger returns which are more attractive to him.

So much is that the case that there are whole sections in this country that really contribute little, if any, of their credit to support their transportation systems. Take my own portion of the country, which is the South. Recently we were able, through the income tax returns, to trace the ownership of a block of \$100,000,000 of bonds of one of our railroads running through the South, touching the South at every vital point. But three and a half per cent of them were held in the South, ninety-six and one-half per cent being contributed by the credit of other portions of the country. So that railroad securities are not a favorite at the South and the South gives little of its credit to supply the transportation facilities of the country. The same is true, I am told, in a less degree of the West, that the western people as a rule make their investments in other things than railroads. At one time you could go to Europe, but Europe has recently sent back from three to five billions of our securities which have been resold in America and they had to be absorbed here; and after the war Europe will be a borrower instead of a lender. They must build up their own waste places. They will have need not only for all their own capital, but for all that they can borrow. They will not be sending their money here to help build railroads in America. So we have a reduced territory, only a little section of the country which we may denominate the East from which the money has to come to supply North America with its railroad facilities.

Now, is there nothing in that to attract your attention as business men, dependent on these railroads for your opportunities of commercial growth?

I don't mean, gentlemen, I don't mean that first-class railroad securities already on the market do not sell well. They do. But you are not interested in that. I am not interested in that. What we are interested in is how is the new money to come, and when we get to the question of new money we must consider the margin of security that is left. We must consider that the line of safety has already been past and there is now no possibility of financing these railroad companies through selling stock and raising the line of safety.

Now, gentlemen, it is estimated that in order to make a stock salable at par there must be an earning capacity of six per cent with a surplus of three per cent. to make up for during the lean years. Do you know that measured according to that rule, there are but thirty-nine railroads, having a mileage of 47,363 miles, which could probably be financed by the issue of stock at par? Under this test 137 railroads, having a mileage of about 185,000 miles, could not be financed by the issue of stock at par. Now, that is a railroad problem. We have got to get new money. We are trying to estimate how much new money the railroads will need in the next ten or fifteen years. We can only do that by the past. We see that commerce has grown, that productiveness has grown in America eight and nine per cent a year during that time, for the last twenty years. The railroad facilities at the moment are no more than necessary for what the commerce of the country needs today and if that is to be extended to carry this eight or nine per cent., additional, you must add eight or nine per cent. to them, with the result that there will be needed during the next ten years for railroad construction in America, unless a limit is to be put on your commercial activities, and your productiveness, about \$1,250,000,000 a year. It will be necessary to refund maturing obligations, some \$250,000,000. So that it is no exaggeration to say, unless the productive capacity of America is to be limited, that there ought to be \$1,500,000,000 a year spent on these railroads for the next ten years.

Now, where is that money coming from? Is it not fair to ask of a system of regulation which limits revenues and does not limit expenses, where that amount of money is to come from? We say it is to come from the introduction into your system of governmental regulation all the qualities of encouragement and helpfulness so that a man will be sure of governmental friendship when he puts his money into this vital enterprise. (Applause)

The experiment that we are willing to make gives to you and yours assurance when you put your new money into these enterprises that you will be confronted by a governmental attitude of cordiality and friendship and not by a governmental attitude of distrust, of detection, of correction and repression. Will you put your money, you gentlemen, you who are the American public, will you put your money in these enterprises unless you are assured of fair governmental treatment of business and not political treatment?

Now, the time for my train is nearly here and I have only a brief opportunity of outlining the suggestions which we think are wise. In the first place we think that commerce has become a national thing in America. Eighty-five per cent. of your business, and by that I mean the business of all the American continent, is interstate business. Ninety-three per cent. of Indiana's business is interstate business. Ought the system of regulation recognize that fact? Ought it to be the power of any state to break down the instrumentalities of interstate commerce or to determine its standard of usefulness and efficiency?

Let me give you an illustration of something that is going on. Here are two states, the states of New Jersey and Pennsylvania, who have adopted what is known by some people as the full-crew law but what is called by the railroad people the extra-crew law. The cost of the law, of complying with that law by the railroads running through those states, is \$1,700,000 a year. Those same railroads run through the states of New

York, of Ohio, of Indiana, of Illinois, of Maryland, of Delaware, and West Virginia. None of these other states have adopted the policy of the full-crew law. Now, \$1,700,000 a year is interest, at five per cent. a year, on a capital fund of \$34,000,000. Is there any more right in New Jersey and Pennsylvania to impose that burden than there is in Indiana and Illinois to do it? And yet the commerce of Indiana and Illinois and of Ohio and New York and these other states has to bear the burden of that charge that is put upon their interstate carriers by these two states. If you regard it from the standpoint of a capital fund of thirty-four million dollars which could be applied to the purchase of new equipment and the laying of double tracks and to the establishment of larger yards and terminals, then by the act of those two states a capital fund of thirty-four millions of dollars has been withdrawn not only from their own uses but from the uses of these other states by a policy which these other states have never yet approved in a legislative way. Now, is that a power which should be possessed by any one of the states, to put a burden like that on a sister state?

Let us take another illustration. Here is Illinois. Illinois has a law which requires that no railroad shall issue any securities without the approval of its commission and even if it is approved that there shall be a tax of one dollar per thousand to the state of Illinois for that approval. Now, here is the New York Central railroad running from New York through that state and through Ohio and Indiana and into Illinois to a less extent than into any of the other states. In their recent organization they had to go to that body for permission to issue their securities and they gave their permission and they put upon that railroad a charge, a tax of six hundred thousand dollars for doing it. Now, why shouldn't Indiana have put on that charge? Why shouldn't Ohio have done it and New York? They each have more of the property in them than Illinois has in it of that railroad. And if they had done it here would have been a tax charge on the issue of those securities so immense that the issue would have been impossible. Because they did not do it their commerce must help to pay that bill to the state of Illinois. Now, is that right? Is that a helpful principle of law? I have not time to give you an infinite number of illustrations, but I will give you just a few more.

Here is Texas. Texas has adopted a system of rates for the purpose of controlling its own market to its own jobber. And here is the state of Louisiana across the way that wants to get into the Texas market, and they find the interstate rates higher than the intra-state rates in Texas and they cannot trade there. Then they have a fight over that proposition. The Interstate Commerce Commission determined that that is unlawful. A bill is introduced in the senate of the United States to abolish the doctrine of the Interstate Commerce Commission which has been affirmed by the supreme court and directly a contest arose in the senate over the matter. Texas through its representatives, Louisiana through its representatives, were arguing back and forth and in a little while it was developed that while Louisiana was attempting to get into Texas markets, Natchez, Mississippi, was being held out of Louisiana markets; and Senator Reed of Missouri came into the hearing to protest in the name of St. Louis against the laws of Illinois which sought to build up East St. Louis and sought to exclude St. Louis from Illinois territory. Through Senator Reed came the further complaint from Missouri that Kansas City, Missouri, was being excluded from Kansas and Oklahoma in favor of Kansas and Oklahoma, territory, and then from my own section Senator McKellar came up from Memphis and complained that the state of Arkansas was preventing the Memphis merchants from trading in Arkansas. Now, that is another one of the situations.

The New York, New Haven & Hartford railroad operating in the New England states, recently proposed an issue of \$67,000,000 of bonds to refund a number of short term notes, and to provide in addition a fund of

\$25,000,000 to be used in the purchase of enlarged terminals, more equipment and better facilities to be used in public service. The state of Rhode Island gave its approval; the state of Connecticut gave its approval, but when the state of Massachusetts was reached, although its commission approved of what ought to be done, it was found that the laws of Massachusetts forbade that issue, so that the proposed improvement could not be carried out, and we see the effect today in the congestion and delays in the handling of traffic which are impeding the commerce of New England.

Now, gentlemen, when we consider what brought about this government we can see that we are running counter to the whole constitutional purpose of our government by submitting to such a situation as this. After the revolution, when the question of the adoption of a constitution in this country was being considered, it was found that the various states of the Union, through their own inability to control, to pass export laws and import laws, were excluding the commerce of their sister states. Virginia, by imposing a big export tax, was keeping her product at home. North Carolina was doing the same. Maryland was doing the same; and New York, by a prohibitory import tax, was preventing the New Jersey people from trading in the markets of New York, and Connecticut from bringing its fire wood there, and Rhode Island, the great port of the country at that time, was paying the whole state government expense by import duty on goods intended for shipment to other states. And there, gentlemen, arose also a great historic question involving this territory. The question was, 'what should become of the great northwestern territory. There was England on the north anxious to alienate the affections of the settlers in this northwestern territory by close commercial bond with England; and there was Spain on the south attempting to do the same thing. General Washington came forward and said that the only way on earth to hold the affections of these western people was to assure them free trade among the states so that they would not be called upon to pay import duties to the states on the Atlantic coast, but that there should be quality of ports and that there should be free trade so that these people would not be taxed beyond their endurance and their allegiance go to England on the north or to Spain on the south. So that these facts were the inspiration of the constitution.

The states derived immense advantages from the constitution. They acquired immense rights by getting into the Union. Too much effort has been made to talk about the reserved rights of the states. Let us think for a moment of the acquired rights of the states. Did Indiana not obtain a valuable advantage when it obtained the right to have one entire and consistent postoffice system? Is that not a state right of Indiana? Did not New York obtain a tremendous right for the state when it obtained the right to ask that the whole power of this nation should be brought there to defend it from the invader and to throw him from her shores, and that the defense of each state should be undertaken by the national power? Did each state not acquire a tremendous right when it acquired a right to equality of ports in this country, so that there should not be import duties put upon their commerce that would be burdensome? Did each state not acquire a tremendous right when it acquired the right to a uniform tariff at that time throughout the Union? Side by side with those acquired rights there was placed in the constitution the provision that the national government should regulate and control interstate and foreign commerce, and that is a right of the states as valuable as these others I have mentioned and as sacred. So when we appeal for an instrumentality that will be co-extensive with the limits of the nation and with the avenues of commerce, to take a broad and comprehensive view of the needs of all the people, to regulate commerce as an entire thing and according to commercial needs. We are not contending for a denial of state rights, but for an assertion of one of the greatest and most valuable rights of the states. And let me call your attention, gentlemen,

to the facts that those who oppose it will not be able to sustain themselves upon any economic or commercial ground, but they must appeal to some political prejudice, a prejudice which has no part in the determination of this business question, and the fact that it is injected, the fact that it is relied upon is one additional deterrent circumstance to prevent the investor from being satisfied with his investment.

Gentlemen, I find that my time has about expired. Unfortunately for my cause and for my ability to place it before you, there was a limitation of time put upon me by the time that I have to go to a meeting at another point. I would be glad to show you all that we propose.

In a word we propose that there shall be one comprehensive and wise regulating authority whose powers shall be coextensive with the whole power of interstate commerce and that we shall not be subjected to loose regulation, but that we shall be subjected to consistent, homogeneous and one regulation, a regulation that will recognize the needs of commerce and in consequence recognize the needs of commercial instrumentality. We ask that our securities before they are issued shall be safeguarded by the approval of the Interstate Commerce Commission, but that when that approval is given we need not have to go to forty-eight or ten other governmental bodies in order to obtain their approval. We ask for one consistent, homogeneous, wise and American system of regulation. (Applause.)

Prolonged and enthusiastic applause followed the address and a vote of thanks was ordered for Mr. Thom. With the conclusion of a discussion lasting 15 minutes, during which Mayor Bosse, C. C. Gilbert of Tennessee, R. L. McKellar and E. V. Knight, of Kentucky, were heard, the Conference adjourned until 2 p. m.

THURSDAY AFTERNOON SESSION.

Dec. 14, 1916.

After introducing the next speaker, Mr. John Muir, of New York City, President of the Railway Investors' League, the chairman invited Mr. Wilbur Erskine, President of the Evansville Chamber of Commerce, to take the chair.

Mr. Muir then spoke on the subject "Investors the Real Railroad Owners."

Investors the Real Railroad Owners.

John Muir Shows How Public Now Chiefly Owns Lines—Have Remedy If Protected.

The first address of the second session of the conference Thursday afternoon was by John Muir, chairman of the Railway Investors' league. His subject was "The Real Owner of the Railroads—the Investor. Why he is worried over the present situation and how fair treatment will induce him to supply a solution of present American transportation problems." Mr. Muir said:

Any discussion on the subject of rail and water transportation or any sound analysis of the present condition of American transportation cannot be complete, cannot secure effective remedies without the participation of the real owners of the railroads—the investors.

Quietly, but with a steadiness which has accomplished marvelous results, there has been going on, for the past ten years, with cumulative force, the persistent absorption of railway stocks and bonds of the leading railway systems of the country by the man of moderate means, the small investor.

Starting with the 1907 panic, known in Wall street as the "Rich Man's Panic," there has been a steady and rapid increase in the individual number and amount of securities held. The result has been that, whereas in 1901 many leading railroads were owned by a few hundred or at most thousands of investors, now men (and women, too) with moderate amounts of money who were impressed with the opportunity to secure liberal and permanent income are the chief owners. Coincident with the opportunity, there developed, among financial houses, firms specializing in service to the small investor, firms which studied his needs, catered to his wants, selected with care the security desired, whether a single share of stock or a single hundred dollar bond. And what is now the result? Listen to this short array of official figures as to number of stockholders given out by the larger railroad systems:

Atchison 1901,	1,300	today, 45,000
Pennsylvania.1901,	27,000	today, 94,000
C., M. & St. P.1901,	5,000	today, 17,000
Gt. Northern.1901,	1,700	today, 25,000
B. & O.....1901,	3,200	today, 27,000
Sou. Pacific..1901,	1,500	today, 33,000
and so on down the list.		

The New Wall Street

And let me state right here a word for Wall street. I have a right to say it, because, first, I am a railroad man of extensive western traffic experience, and, second, because today and for the past twenty years, I have had practical experience in Wall street with the hydra-headed and hard-headed small investor. Wall street has changed very much during the past ten years. Many houses now have thousands of customers, where houses doing a larger business have only hundreds. This is due to the immense detail, the careful painstaking work required, to meet the needs of the small investor. Wall street is no longer a gambler's paradise. It is a section of hard work, devoted to research to obtain facts and information to guide the thrifty, how and what to buy. It is to Wall street earnest minded people come with their savings to buy in small quantities securities representing the best lines of transportation in the country.

During this period of increasing popular participation in investment, I have been actively interested in the work, and I know whereof I speak, but my experience previously was distinctly in the railroad field. I think I can present evidence entitling me to membership among the railroad men who helped build up the middle and far West.

Some Past Experience

I am presenting this evidence in order to anticipate the objection which we are all likely to cite when another factor intrudes in a discussion which we have come to consider limited to a certain class of debaters. So please absolve me of any charge of egotism when I say that forty years ago I was general freight agent of the Kansas Pacific railway, the only trunk line of Kansas running from the Missouri river to the Rocky mountains. I saw Kansas emerge from her scourging by grasshoppers and drought to a state of continuous rich crops and plenty. Thence I went to the great Northwest Pacific coast, where existed a complicated transportation system of river, rail, ocean and sound. I transformed the measurement basis of transportation charge to that of weight. The rate on a horse, for instance, was reached by measuring from the tip of his nose to the end of his tail (we didn't allow

for cropped tails) and charged on the basis of 40 cubic feet per ton of space occupied. On the completion of the Northern Pacific railroad, I became traffic manager of the new transcontinental line, which revolutionized the making of through rates to the Pacific coast. All of that great development I saw; part of it I was. Later, thirty years ago, I became traffic manager of the Chesapeake & Ohio railroad, now so ably represented by our friend, Mr. Frank Trumbull.

In the recent history of railroading and in the present discussion on railway development, the great army of investors in railway securities have not taken a prominent part. They have taken hardly any part, but on the basis of a practical railroad experience and on the basis of a practical investment experience, I believe it is in approaching present problems from the standpoint of the investor that we are most likely to reach a proper solution.

Throughout the country there is a great army of investors ready to supply money for the railroad development which the country so badly needs. If these investors can be convinced that capital invested in the railroads will be given proper consideration in the solving of all problems, that most pressing problem, the raising of the great amount of money needed for new construction and development, can be easily solved.

Now let me get down to the present status of this matter.

The Present Conflict

There is at present a conflict raging between two elements in the railroad transportation business.

On one side, are the directors and executives of the railroads. On the other side, are the four brotherhoods of engineers, firemen, conductors and trainmen. The brotherhoods, 400,000 strong, united and alert, say with one voice, "We must have more pay or shorter hours or both or we'll strike." The executives answer, "With our restricted rates and higher cost of operation, we cannot grant your request." A deadlock occurs, the matter is appealed to the president and he, to avert a calamity, promises to grant, through congress, what the roads deny.

The investors, 600,000 strong, the real owners of the properties, scattered all over this country, having an immense power vested in them, unorganized, are unable to come forward with the combined voice of even a paltry dozen. They are uneasy. They chafe. They hesitate. They ask the question, "How about future investments in railroads torn by dissensions between executives and employees?"

They finally evolve this thought: The executives of the road represent us and, in the main, do it satisfactorily; but, owing to the fact that there is a prejudice against them in congress, in the commissions, and in the mind of the public, they can't, in their official capacity, exert as much influence in certain fields as we could if we should act for ourselves independently. Let us get together and let us, the owners of the roads, show to congress and the commissions that political influence and voting power are not wholly confined to shippers and the four brotherhoods.

The investors, in addition to thinking in this manner as to the attitude existing between their railroad executives and the brotherhoods, evolve another thought, as follows:

We are the real owners of the railroads. It is our money which is invested, therefore, you, the brotherhoods, are our employees. Now what is the matter? We are 600,000 strong; you are 400,000 strong. You are organized; we are not. You have put one over on us, because you are organized, but it is unfair. It won't stand the test. Let us talk over our grievances. You have yours. We have ours. We can't pay what you demand unless we are helped. Instead of snarling and quarreling with your executives, let us together find the solution of the matter and, when we get what we ought to have (and we ask you to help us get it), you may be sure that we in turn will allow you what you must see under this high cost of operation we cannot grant.

At Cross Purposes

Now, gentlemen, you must see, in the present condition of this conflict between the railroads and their employees, that they are working at cross purposes.

The great army of railroad brotherhoods have been forehanded. Upon small contributions from their wages and with skilful and astute leadership, they have built up a power and force which have enabled them to go before the highest authority in the land and demand and obtain a promise of increased pay upon threat, if not granted, of closing up the traffic of the country.

These 400,000 employees of 600,000 investment owners, of our \$20,000,000,000 national transportation system, did this. How did they get away with it? Was it because their numerical strength made them politically formidable? Is this big free country to be coerced by such tactics?

And right here, is it not logical to ask if the brotherhoods can by this threat obtain higher wages why can

they not by similar threat more simply solve this problem and obtain for their employers, the railroad, higher rates to enable them to pay higher wages?

"It is well to have a giant's strength, but it is tyrannous to use it as a giant."

Now I submit that the brotherhoods, in taking the course which they did, committed a great mistake. If an employe of mine comes into my office with pistol in hand and says to me, "Mr. Muir, I want you to raise my pay. If you don't, I will blow your head off," I tell him at once to clear out. But if he comes to me and says, "You are making money. My pay is not enough under this increased cost of living. Will you not raise it?" I immediately reason with him and devise ways and means to satisfy him.

This course of the brotherhoods will not stand the test. The railroads, under present conditions, cannot stand for the demand of the brotherhoods and continue successful operation. If the brotherhoods had used the same influence and force with the same authority in Washington in presenting the needs of the railroads and gained for their employers what they think they have secured for themselves, the railroads would today be able to meet their demands.

The Real Owners

And where in this controversy stand the 600,000 railway investors, who embody the great force that lies latent in the owners of the railroad property? Nobody ever hears a peep from them, and congress and the commissions simply ignore them as if they were a negligible quantity. That is not the way to carry on an effective campaign. Why shouldn't they appear by means of their own chosen representatives, before the Newlands commission or whatever body may finally be appointed to crystallize conclusions on this all important problem? Why shouldn't they, as an organized and politically formidable body, bring their influence to bear on the press and on the public? Of course, their representatives in the persons of presidents, legal counsel, etc., appear and speak for them, but we all know very well that isn't the same thing, because the public prejudice is against the managers of railroads, not against the stockholders who own them. It is of supreme importance that the owners should be satisfied, because it is they who furnish the funds to develop the sections of country not now properly supplied with transportation facilities. It is the owners that congress and the commissions ought to hear from, and the owners are as dumb as oysters and as powerless as jellyfish

with no solidarity or means of expression.

And now the Saturday Evening Post says, "In the face of a billion net last year, railroad managers and investors in railroad securities are wondering what the situation will be after the boom, if public regulation of railroads is applied in as narrow and jealous a spirit as it was for some years before the war. Individual shippers may applaud when a particular rate they are interested in is cut down. Farmers here and there may be fooled into thinking that the lowest possible freight rate which does not throw the carriers into actual bankruptcy is to their interest. But it is very certain that, for the country at large, regulation in that haggling, oppressive spirit does not pay."

I quote from the bible when I say, "Beware of the withholding which leadeth to poverty."

You have no doubt seen that the present condition of the railroads has been likened to a man suffering from hardening of the arteries. This is a striking simile, but I cannot fully subscribe to it. Hardening of the arteries means age, decay and approaching dissolution. This is not the case with this country. We are young, vigorous and have plenty of rich virgin sections yet to open and cultivate. But we are hampered and hemmed in by the wants of this growing nation. We need blood to pulsate through these arteries. The thousands and tens of thousands of small investors stand ready to furnish the means to inject blood in the shape of rails, ties, rolling stock, terminal facilities, to develop these new fields. But they hesitate and fight shy of new propositions where, by the lessons of last summer, they see that their employes' demands are satisfied and taken out of the earnings of the railroads by the government and their own rights for proper compensation are ignored.

Purpose of the League

Now, the Railway Investors' league has been organized to consolidate, for protective action, that immense power and influence possessed, but heretofore unused, by hundreds of thousands of unorganized investors.

The league is neither anti-labor nor political. Its aim is to secure fair play alike from railroad managers, railroad workers, railroad regulatory bodies and political parties. It will oppose unfair tactics, whether attempted by federal or state government bodies, by railroad managements or railroad employes. It is "anti" nothing—save unjust practices from above or below, from without or within.

This is the Railway Investors' league

which is now growing like a young giant and to which we want every man or woman who owns one share of stock or one thousand, one hundred dollar bonds or thousands, to belong and to support this immense power for fair play—fair play for owners and employes, for shippers, for the public and for the country.

Mr. Paul Mack Whelan, the secretary of the league, is here. He will furnish the platform of the league, and, if you are in sympathy and accord with its object and purpose, enroll yourself now.

More especially do I invite co-operation and enrollment from the members of the brotherhoods. There is not one idea or sentiment in the Railway Investors' league incompatible with the brotherhoods' desire to obtain fair play from their corporations and for their corporations. Instead of being 400,000 and 600,000, let us make it a million, combined to assert, maintain and defend our rights.

Brothers of the brotherhoods, are you with us? If so, come forward now and act jointly with us.

After the applause had subsided and the thanks of the delegates and visitors had been voted Mr. Muir, Chairman Erskine introduced Lansing H. Beach, of Cincinnati, Ohio, Colonel U. S. A. Corps of Engineers, as one of the most competent authorities on river and harbor improvement. Col. Beach then addressed the Conference on the subject:

"The Improvement of the Ohio River."

The Improvement of the Ohio River.

By Lansing H. Beach,

Colonel U. S. A. Corps of Engineers.

It may seem a little superfluous to describe the Ohio river to the people of Evansville and those who live upon its banks, but as many people of the Conference are not from the shores of the Ohio, a few statements covering the characteristics of that stream may not be amiss.

It drains a territory of about 204,000 square miles in extent, derived from fourteen states, either wholly or in part. It is formed by the junction of the Allegheny and Monongahela rivers at Pittsburgh. It has a course of about 968 miles to its mouth at Cairo. In the upper portion of the stream the slope is quite steep, about seventeen inches to the mile. This is gradually decreased as it gets down the river to about eleven inches a mile.

The water flow in the Ohio is not uniform. They have a surplus frequently, decidedly more than enough in the early spring or late winter, and in the fall months the river becomes so low that above Cincinnati there is sometimes a navigable depth of only a foot and a half, practically no navigation at all, and from Cincinnati down they frequently have no more than two and a half feet. It was to remedy this condition that the improvement of the Ohio was started. Now, the improvement of the Ohio was like Topsy. It wasn't born, it simply grew. It commenced in 1827 and from that time until the late seventies efforts to secure a channel were confined to dredging or to construction of dikes which would throw the water upon the most obstructive sandbars and wash them out. This, however, proved unsatisfactory, especially for the movement of coal, which formed the largest commodity transported over the river. Consequently in 1875 the first dam was constructed at Pittsburgh. This, however, did not originate in the desire to make a deep channel throughout the river. It was simply formed for the purpose of creating a harbor at Pittsburgh so that the coal fleets could be made up at that locality and be able to start down the river on the front of the rise and consequently onto the lower river and the Mississippi. Formerly the coal was kept in the pools of the Monongahela river and had to be brought out in the Ohio after the high water had come. Eleven feet was about the depth that was needed in order to let the coal boats pass down safely. It was frequently found that the small rise would be lost. The water would run out before the coal fleets could be made up and started down river. Consequently it was believed advantageous to build dam No. 1, as it was then called, the Davis Island dam, about nine miles below Pittsburgh, so that these fleets could be made up and be ready to start on the rise. This, however, was found so advantageous that it was considered advisable to build some lower down and the improvement was so marked and the effects so beneficial that Congress, in 1910, decided that it would be a good plan to build locks and dams throughout the river.

Now, these dams differ from those ordinarily constructed in most streams, in that they are what are called movable dams. That is, they can be raised when the river is low, but put down, lying on the bottom of the river when the depth is sufficient for boats to pass over them in the ordinary river channel. The effect of a lot of fixed dams, as they are called, would not be advantageous on the Ohio for the reason that the traffic would have to pass through the locks at all times. As the number of locks from Pittsburgh to Cairo will be 54 when all are completed, it can easily be seen that this would be quite a handicap on through navigation. The result of a fixed dam was also greatly feared on the upper Ohio for the reason that it was believed that it would increase flood

heights, and that was the reason why consent was given for movable dams as well as the advantage to navigation.

Now, the pictures which will be shown on the screen will describe better than I could tell you just what the work is.

Moving pictures of the Ohio river and dams were then shown on the screen.

Following Col. Beach's address and the moving pictures, a vote of thanks was ordered and a motion made and unanimously passed, "That it shall be the sense of this meeting that the legitimate improvements of the Ohio river, as outlined and illustrated by Col. Beach, shall not be considered in any sense, what has so often been termed, a 'pork measure.' "

Chairman Murphy resumed the chair and announced the appointment of the following to constitute the Resolutions Committee:

Hon. Benjamin Bosse, Evansville, Ind., Chairman; David Hirsh, Louisville, Ky.; J. R. A. Hobson, Evansville, Ind.; George H. Evans, Indianapolis, Ind.; Samuel L. Orr, Evansville, Ind.; Marcus A. Sonntag, Evansville, Ind.; R. L. McKellar, Louisville, Ky.; E. Vernon Knight, New Albany, Ind.; J. L. Bayard, Vincennes, Ind.; Frank Ellison, Cincinnati, O.; Phelps Darby, Evansville, Ind.

At this moment the Chairman was handed a telegram, which he read to the audience:

"Henry C. Murphy, Chairman, Central States Conference on Rail and Water Transportation, Evansville, Indiana.

"May I not send my greetings to the Central States Transportation Conference and express my deep interest in the great questions it has assembled to discuss. I wish that I might have the benefit of hearing those discussions.

WOODROW WILSON."

The Chairman then read a telegram from John E. Lathrop, of New York, who wired from Omaha his regret at being unable to reach Evansville to personally address the Conference. Mr. Murphy thereupon introduced Mr. J. C. Johnson, requesting that he read Mr. Lathrop's speech. Mr. Johnson then read the following from Mr. Lathrop on the subject:

"Car Shortage and the Cost of Living."

Car Shortage and the Cost of Living.

By John E. Lathrop,

Director, City Planning Department, American City Bureau of New York;
And Secretary, Indiana City Planning Committee.

The high cost of living takes its rise from two cognate causes:
That which is purely economic and which is more or less from human faults and imperfections.

That which arises from defects in physical processes.

Our entire fabric of business, industrial and financial activities is divisible into two functions:

Production.

Distribution.

I refer, of course, to the physical process of distribution, rather than the economic distribution of wealth.

Important economies have been introduced in the function of production. The principle has been recognized generally. All who engage in the performance of the productive function will be forced at once to reach the new standard, if they have not already done so. I have confidence in American brains, energy and patriotism to believe that, in respect of our productive processes, we shall attain a level of economy as high as that which has been achieved by any nation under the sun.

However, in the physical distribution of products, we Americans have woefully fallen down. Our distributive system is wasteful in the extreme. It is so wasteful that, in my opinion, the question of railroad rates is not so important as another, service, which I purpose to raise herein.

I am not unmindful of the necessities which have been laid upon this republic to regulate rates, but at the same time I remember that the Interstate Commerce Law invests the Interstate Commerce Commission with authority to regulate "rates and practices," and I believe that, before our transportation problems are solved, we shall have to give vastly more attention to "practices"; and that, as a people, we must take official cognizance of still another thing, equipment and plant, to a greater extent than we have in the past.

Delays in the shipment of goods and products are today the nightmare of this nation. This nocturnal steed troubles the slumbers of every business man, punctuates his every-day conversation, in every locality.

We refer to this difficulty as "car shortage." My thesis is to show that it is not actually car shortage, but the non-use of that which would be an abundant supply of equipment, if we had adequate systems of rail terminals and water routes and terminals.

This so-called car shortage is not new, although aggravated beyond most previous experiences of a similar nature. During fifteen years, in which I have closely followed the proceedings before the Interstate Commerce Commission, I have noted these gluts of freight with recurring regularity. Every time an extra burden is laid on our transportation system, the machine breaks down.

Speaking in the language of the engineer, our transportation system in this country is carrying the peak load practically all the time.

It has become the rule among business men to expect the aforesaid delays in the shipment of goods and products. All contracts are figured at a higher price level to take care of the cost and waste of such delays. So that the tendency is to estimate all processes, commercial and industrial, on that higher price level. It has been interwoven as an essential factor into the business activities of the country.

Herein do we find a major, if not the major, cause of the high cost of living; and this enormous waste caused by these delays is on account of the inadequacy of our terminal systems.

In the United States we have approximately three million freight cars of all classes. The average movement per car per twenty-four hour day on the Pennsylvania Railway for the last year was 23.6 miles; or slightly less than one mile an hour. (I am so informed in a letter to me from Mr. Shafer, Superintendent of Transportation on the Pennsylvania lines.) The average for the whole country of movement per car per twenty-four hour day is about seventeen miles.

Now, freight trains move up to seventeen miles an hour. An average freight train movement of twelve miles an hour would give us 288 miles per 24-hour day. Of course, no one expects such an average movement per car per 24-hour day as 288 miles.

But, if the average movement per car on all roads is only seventeen twenty-fourths of a mile an hour, and under a mile an hour on one of the most efficiently managed railway system of the country, obviously there is a serious discrepancy somewhere.

I find it in the terminal system—in the deplorable inadequacy of terminal facilities to permit the movement of freight at a higher average rate of distance per day.

Recently I made a shipment from Fort Wayne to Evansville. It moved, from the time I offered it in Fort Wayne to the time it was delivered to me in Evansville, an average of one and one-half miles an hour. This was true, notwithstanding every official of the Pennsylvania Railroad and the Chicago & Eastern Illinois Railroad most courteously pounded that shipment on the back and by telegraphing and telephoning made of it relatively a race horse.

Transportation for me began when I offered the shipment at the railway platform; it ended when the stuff was offered me again in Evansville for loading on a truck, and it has been hauled through the streets to the building which was my terminus. What was the trouble? The freight trains on the Pennsylvania and the Chicago & Eastern Illinois moved, as I say, up to seventeen miles an hour; yet the average movement for me on the total transaction was one and one-half miles an hour.

I traced the history of that shipment. It was four days getting out of the Fort Wayne terminal on account of a glut. It had to pass through Columbia City and Terre Haute and into the terminal at Evansville, at which point it arrived a day before it was available for unloading.

I am not complaining, but on the other hand am acknowledging the courtesies of the railway men who exerted themselves to extricate me from my difficulty.

But there should have been no difficulty. Furthermore, my difficulty arose not from car shortage, but from terminal facility shortage; and that is the crux of this whole situation.

Shortly ago, the owner of a mine in a town a few miles west of Evansville had a shipment of machinery coming from Pittsburgh. He needed it desperately. He sent a man to Pittsburgh personally to accompany and actually ride in the freight car. This he did, inducing the train and yard crews to hurry up that shipment—probably using up one or two boxes of cigars (I hope for the sake of the railway men, they were good ones), and he arrived in Evansville, believing his troubles were at an end. He boarded a passenger train and went to his home town.

Four days later, instead of one day later, the car reached his mine. In the meantime, it had been flooded. It cost him fifteen thousand dollars of actual damage, plus the loss of production, pending repairs and pumping out.

Last June, I rode from Altoona to Harrisburg, Pennsylvania, on the rear end of one of the express trains. There was a solid line of loaded

cars to move East, which were not moving. These cars extended from station to station, practically all the way.

What was the matter? Car shortage? Certainly not. These cars could not be gotten through the terminal at Harrisburg. You talk of car shortage? Assume that the Pennsylvania Railroad had placed a million additional cars on the tracks this side of Altoona. Would that have helped to get these glutted cars through the Harrisburg terminal? Of course, it would not. It was terminal facility shortage.

It is terminal facility improvements that is needed to stop this low potency use of railway equipment. Here are two or three million freight cars moving less than a mile an hour, on the average, on one of the best managed railroads of the United States.

Were there adequate terminal facilities, could we not, by increasing the movement per car per hour for the whole mass of equipment, make say, three million cars do the work of vastly more cars?

Suppose we attained an average movement per car per 24-hour day of forty-eight miles, or two miles an hour. Would not that more than double the movement of freight; or be tantamount to putting five to six million car movements into operation instead of two or three million?

I am conscious of the fact that there are other elements entering into the situation. The prevalence of demurrage rates on detained cars in freight yards is proof evident that one factor is the sometimes tardy unloading or loading of cars offered by the railway company, but I am sure that this factor compared with terminal facility shortage is negligible.

However, in passing, let me say that I believe that demurrage rules should not be less severe, but that they should be rather stiff to take care of that element of sometimes negligence; or at least to spur to highest endeavor to unload freighted cars or load empties when offered in response to demand thereof.

I am informed that lately ten thousand cars of wheat stood on the Chicago tracks, not unloaded, because there were not facilities to handle them; practically nine million bushels of wheat which were in cars which were being used as warehouses, when there should be facilities to handle them and the cars be offered again for traffic. All the time after a brief period, these cars were paying a demurrage rate of five dollars a day and the cost was being marked up against the sacks of flour that were being sold.

I wish to revert momentarily to answer a possible objection that conditions are now unusual; they are unusual only that the trouble is slightly aggravated. In principle, this condition has been present in marked degree, as we all know, with frequency for many years past.

During a total travel of three hundred thousand miles during the last twenty years, most of it in this country, I have noted these conditions in all parts of the United States. Have I any technical authority for the burden of my thesis?

James J. Hill six years ago said, "The United States should invest annually a billion dollars in terminals. Were this to be done for ten years, at the end of that period we should find that repressed and new traffic would have absorbed the added facilities and we should again have serious congestion."

But Mr. Hill said another and most striking thing: "I can haul a ton of freight three hundred miles cheaper than I can pass it through the average city terminal."

Let us take the whole fabric of transportation between Chicago and New York, approximately nine hundred miles, or three units of three hundred miles haulage each. There are about eight major terminals between these two metropolises, or ten in all, with the originating and destination terminals. Make an equation on the basis of Mr. Hill's philosophy:

Thirteen, or the Chicago-New York fabric of transportation, equals three units of actual haulage, plus ten units of terminal operations.

I submit that this equation indicates essentially the largest problem that relates to car shortage and the high cost of living.

In Washington, D. C., I personally organized an investigation into the cost at the kitchen door of thirty food products from the Potomac Valley, compared with the prices paid the farmers and fruit men at the wharf. These articles in no case advanced less than three hundred per cent, in many cases advanced a thousand per cent, and in some as high as eighteen hundred per cent.

I realize that there were many factors in this enormous advance from the point of ultimate production to the point of ultimate distribution; that the prices in one city affect the prices in another, and that all tend to take the highest price level of the largest city; but I cite the Washington case chiefly to call attention to the crudities of the facilities in Washington, which are typical of the American standard of co-ordinating of land and water facilities. Washington prices were largely a reflection of the very high prices of New York, and the crude water and land terminal facilities at Washington unfortunately are a reflection of the crude facilities of like nature across the continent.

That brings me at least to a mention of something which cannot be ignored in this thesis. We are in the third phase of the development of our transportation processes. In the first we had rivers and canals; in the second railroad development with a confessed hostility to water carrying by the railroad men, and indifference, unfortunately, by the people as a whole. This third phase, which we are now entering, must be the co-ordination of rail and water facilities.

The cool truth is that we have not been able and shall not be able to move our tonnage on rail to the practically total exclusion of inland waterways. We shall have to develop our inland waterway system, as much for the relief of the railways as for the economic benefit to the nation.

I have always held to that school of transportation economists which believed that the railways were short-sighted in opposing the development of inland water routes. I insist that, with the slower moving and low price freight handled as much as possible on the waterways, the railroads, thus relieved for many of the low price hauls, could utilize their investment to carry the higher priced freight to their financial betterment.

However, the railroads now favor the development of inland water routes.

I believe we shall have to adopt the system employed in Germany, where about thirty per cent. of their tonnage moves on canals or canalized rivers; but wherever water facilities are developed, there is always present the most perfect engineering device for the trans-shipment from water to rail or rail to water. We must use this as our model.

Along the great Ohio valley, must move a vast water tonnage, and at Evansville, St. Louis, Louisville, and Cincinnati must be developed the absolutely best engineering devices for trans-shipment. All this will call for enormous additional investments. The way has been paved for part of this added investment by the introduction of economies in the operation of railroads. When a few years ago Louis D. Brandies of Boston, now a justice of the United States Supreme Court, asserted that the railroads were wasting a million dollars a day, which could be saved by economies without increasing rates, the railroad interests scoffed.

The other day a representative of the railway executives' organization specifically admitted that Mr. Brandies had been quite accurate in his estimate, and that since the Brandies allegation was made, the railroads had effected operating economies of about a million dollars a day.

I do not pretend to estimate even vaguely what this added invest-

ment must be, but it is safe to predict from the statements of James J. Hill and other great transportation scientists that it will run into the billions.

Where shall we get these additional billions? Why should we not all frankly face the facts? I apprehend that not a dozen men within the sound of my voice question in their inmost hearts that the ultimate solution is going to be government ownership. I honestly believe that even those who oppose government ownership as a policy in most cases admit that it is coming.

If this be true, why should we not as a people have the moral courage to face the facts? Of course, it is a colossal problem, and the easy way is to push it from us into the far future; but is it not the part of wisdom frankly to address ourselves to the facts, rather than to adopt the weak policy of pretending something which we know is not true?

The intensive development of our internal processes is in its infancy. Potential agricultural productivity is certainly not more than fifty per cent developed. Imagine the processes of the older European countries applied to our husbandry, and an annual farm and livestock production of eleven billions increased to twenty-two billions; our coal, gas and oil motive power supplemented by the utilization of our vast, but practically unused, water powers; our population increased as it is increasing, and try to picture the colossal task of moving all the freight on rail.

Gentlemen, it would be to attempt the impossible. Money could not be poured from a horn of plenty into which had been dumped the wealth of a thousand Golconda mines fast enough to meet the immediately pressing demands for transportation facilities and give even a little attention to future needs, without the most extensive use of all possible inland water routes.

A lot of buncombe has been talked about the pork barrel. I have seen a good many rivers and harbors appropriation bills in the process of the making, and I freely admit that a lot of Mud Creeks have been recognized which are not more than deep enough to provide Johnnie with a swimming hole; but, on the other hand, no one, with a glimmer of reason or the slightest conception of the transportation situation of this country, will question that we must hurry to develop our inland water routes and co-ordinate them with our rail systems. The great units in the water system will be the Ohio River, the Mississippi River, the Missouri River, the Great Lakes with its co-ordinate New York Barge Canal, the Inter-coastal water route along the Atlantic water front, and the Columbia River Basin.

As we work out this vast system, we must study the co-ordination of rail and water facilities, and we must end the era in which, in the discussion of rates and transportation practices, the rail transportation system appears before the courts as an opponent of, or enemy of, the water system. The two must be regarded as essential parts of the whole.

These, gentlemen, are, in my opinion, the most deeply fundamental questions with relation to car shortage and the cost of living. Humanity is prone to superficial processes. We are at this time more or less superficial in our discussion of the best means to combat the high cost of living. We see some surface symptom and treat it, rather than to go to the fundamental cause of the disease. These superficial treatments are not without their values, because we cannot always wait to work out our fundamental ultimates, but we shall have to go deeper and attack the real issue.

And in doing so, we must rise to a level of real patriotism. Every class, the railroad man, the shipper, the consumer, the laboring man, the official must step up to that higher altitude of consideration for the good of the whole mass which we have not yet attained to the necessary degree. When this spirit shall have taken possession of us and we rise su-

perior to the pettier, littler selfish motives which lead us into foolish class antagonisms, we shall perhaps—will you pardon me for just a touch of sentiment?—we shall perhaps discover the practical beauty in these lines of the poet, Sam Foss:

Let me live in my house by the side of the road,
Where the race of men go by.
They are good, they are bad,
They are weak, they are strong,
Wise, foolish; so am I.
So why should I sit in the scorner's seat,
Or hurl the cynic's ban?
Let me live in my house by the side of the road,
And be a friend of man.

THURSDAY EVENING SESSION.

December 14th, 1916.

Chairman Murphy called the meeting to order at 8:30 o'clock p. m.

Ladies and gentlemen : We will resume our deliberations according to our program. Up to this hour we have had transportation discussed from the angle of the railways, the first address being the monumental effort of Mr. Alfred P. Thom. The next phase was the discussion of the subject from the angle of the investors, as represented by Mr. John Muir, who made an equally remarkable presentation of the case of the man who puts up the capital. Third, we had the neutral viewpoint presented by Mr. John E. Lathrop. Tonight we are going to have the opportunity of hearing from a man who presents the side of the fellow that pays the bills, the shipper's side. We are fortunate, indeed, in having with us so able a representative of the great shippers' interests. When I was seeking a man to fill this place I wired Colonel George Pope, of the National Manufacturers Association, and asked him if he couldn't come to talk for the shippers and the big manufacturers. He replied that engagements in New York prohibited his attendance. Thereupon I wired for suggestions and immediately the reply came back, "Get E. B. Leigh and J. M. Belleville." Through fortuitous circumstances we have been able to secure both of these men. We are indeed lucky in having these men here,*because the shippers of this country have no abler representatives than they. We have allotted them plenty of time for the discussion of the subject.

Mr. E. B. Leigh, of Chicago, a director in the National Association of Manufacturers, and Vice-President of the Railways Business Association, will talk to us on the subject, "The Shippers, Their True Relation to the Transportation Problem." There is no man in the country who can better define the interests of the shippers than Mr. Leigh.

I have the pleasure of introducing Mr. Leigh to this audience. (Applause.)

The Shippers, Their True Relation to the Transportation Problem.

By Mr. E. B. Leigh.

Having been invited to speak from the standpoint of "The Shippers," it may not be out of place to say that, owing to the inability of Col. George Pope, president of the National Association of Manufacturers, to be present, our esteemed chairman, Col. Murphy, generously accepted Col. Pope's suggestion of my name as a substitute for his own, and as a director of that association.

In like manner, and because of the necessary absence of Mr. George A. Post, president of the Railway Business association, I am responding to the call of that association as one of its vice-presidents—thus appearing in somewhat dual capacity.

The direct business with which I am identified is such that it is allied with both of these associations. As criticism, or question may arise as to the unbiased view point of a company selling its products to railways, I trust you will permit me to say that 70 per cent of my company's business is entirely removed from railway contact—but 30 per cent having such contact.

These conditions being explained to Col. Murphy, he requested that the cause of the shipper be presented on broad lines.

In this effort, there may be some advantage in having two angles, or view points, each of which may be tested by its effect upon the other—the two-fold relation thus perhaps serving to induce a broader and fairer consideration of the question involved.

What is the interest of the shipper in the railway problem?

This question, when asked, may elicit many answers, the most common of which would doubtless be: "low freight rates." This is the most popular conception of the primary interest of the shipper in the railways of the country; yet upon analysis it is found that every industry, every commercial enterprise, and every individual is interested not only in the railways as such, but in their effective and profitable operation as well.

This universal dependence varies, however, in directness, in form, and in the consciousness of the individual.

The products of the farm would be of relatively small value, minus the facilities of transportation to markets

of sale and consumption. The production of the infinite variety of commodities, essential to the maintenance of our present day civilization, is made possible by the railways. The daily necessities and luxuries of life come to us, as individuals, so almost automatically as to warrant the expression, "as free as the air we breathe"; yet we have to look back but a little to see that the railway is the handmaiden of us all.

So when we speak of the "shipper," we naturally ask who is the shipper; what is he; and why? The answer seems obvious; he is every one of us—that is, in the sense that every one of us is an interested party, when the railways of the country are under consideration.

But referring to the shipper, as he is commonly conceived in our business life:

How often have we heard our great manufacturers speak of the two fundamental divisions of industry as consisting of making and selling goods; and of further likening them to the two sound legs upon which every healthy man must stand. The analogy is apt, so far as it goes, that is, if the man has merely to stand. Just so with the great furnace, the great mill, or warehouses—if their functions are complete with the goods piled before their doors. But the strong man's limbs will surely atrophy if he has no road to travel; just as all manufacture will stagnate without the means of highly diversified distribution of its products.

Thus there is a third fundamental element in all industry and commerce, appearing at the threshold of any producing enterprise, and again when the product has been sold, and is ready for distribution—transportation; a third partner—not within our corporate organization, but one vitally essential to it. How shall we treat him?

We are extremely careful in the selection of our corporate officials. We seek men of the highest order of ability to evolve and conduct our manufacturing processes; we seek men of judgment, foresight, discretion and tact to outline and execute our commercial policies—to sell our product.

And as we logically regard both as among our most valuable assets, we conserve their health and strength, and stimulate their activity by liberal compensation.

We do these things, not from philanthropic motives; but from the soundest of all business reasons—because it pays..

Now, if all industry and commerce rest upon this triangular base of making, selling and distributing; why should we jealously guard the sustaining power of the two legs of the tripod, and imperil the equilibrium of the entire structure by a gross indifference to the third.

Perhaps it may be said of this external partner that he is not one of us; that he is a third party:

Could anything be more fallacious? Can we say he is not of us, when without him we would have to retire from business? Can we look upon him askance—as a third party, when we realize that he has made possible our industrial and commercial existence?

Maculay has said: "Of all inventions, the alphabet and the printing press alone excepted, those inventions which abridge distances have done most for the civilization of our species."

While a no less famous writer than Lord Bacon aptly said: There are three things which make a nation great and prosperous; a fertile soil, a busy workshop and easy conveyance for man and goods from place to place."

I assume that every business man believes in the economic theory that all industry and commerce, to survive, must be conducted at a reasonable profit. I also assume that, individually, every one of us is weak enough, or human enough, to buy any commodity we may need at as low a price as we can impose upon the seller and—I blush to add—regardless of whether that price is above or below cost of production—that is not our concern, as we conceive it.

In an economic sense, the railways are selling, and the shippers are buying a commodity—transportation. And right here arises the anomaly of the transaction. As individuals, when you sell and I buy, we are each of us wholly untrammelled by any dictation as to price other than your knowledge on your part of your cost of production and for my own part, my knowledge as to the figure at which I can secure the commodity elsewhere. Each party is a free agent, with discretion to act, and only limited by economic considerations.

On the other hand, how different when we, as shippers, buy from the railways; for here there are not two

independent parties, with power to act. The function of negotiation, in this instance, between these two elements (seller and buyer) is vested by law in the Interstate Commerce commission.

Sitting as a court of arbitration, so to speak, the commission fixes the price of transportation. Following the testimony of all parties at interest (and which merely comprises the two—the selling railway and the buying shipper) the "reasonableness" of a proposed rate is then determined by the commission. What does this rate, when it emerges from this process, really mean?

Apparently, it means nothing definite; for the railways are not securing an adequate price for their commodity—transportation, and the shipper without knowing whether the price is fair or not, on general principles objects to it—on the assumption that it must be high, because he does not know to the contrary—so inherent is this instinct.

Of necessity, these rates (while before the commission) are discussed by representatives of large groups or classes of shippers, and who in most instances make the unhappy error of assuming that when, as a group, they bear down the rate for all hands round, that is for all shippers, they are benefiting themselves, in somewhat the same manner as that of one individual as against another in an open competition. They completely overlook the fact that stability of transportation rates, like stability of commodity prices, is of vastly more importance to them as shippers than the level of rates themselves.

These rates cannot remain stable unless they are equitable; for stability and equity are manifestly inseparable in any form of continued activity, and particularly where the activity comprises three such fundamental contributory elements as production, sale and distribution.

Imagine for a moment these three elements combined under one ownership and management; would the executive management of such an enterprise maintain two of these elements on a sound economic basis, and saddle an insuperable burden upon the third? Would a corporation so conduct its operations as to permit two of its departments to prosper, while it impoverished the third, and which would inevitably impair the other two? And yet, the principle governing all three is, in an economic sense, the same under diverse ownership as it would be under sole ownership.

The wisdom and policy of maintaining the integrity and stability of the

triple alliance thus becomes manifest.

In these days of accelerated development, we are frequently made to realize that we are surrounded by forces or conditions vitally affecting our existence, but as to the effect of which we have been unconsciously ignorant.

We have spoken of the tripod. It so happens that there is another vital element, not so frequently known or recognized, but of vast importance, and really making it a quadruple alliance. Singularly too, this fourth element proceeds from this same "external partner"—the railway.

One branch of the speaker's business has been in the railway equipment line. For many years it was noted that the first significant sign of a revival of general business, was railway buying—and its cessation one of the first signs of impending general recession.

This became such a settled conviction, that a means of testing and demonstrating its accuracy was sought. A few years ago I had the curiosity to procure data from the well known Brookmire Economic Service, of St. Louis. On one occasion I said to Mr. Brookmire that I had the idea that if a chart could be constructed indicating the curve up and down through the years of railway purchases on one line, and the volume of general business on the other line, it would be found that an upward turn on the railway purchase line was pretty regularly followed by an upward turn, of corresponding magnitude, upon the general business line; and that when railway purchases went down, general business followed soon afterward.

Mr. Brookmire proved to have a unit, measuring general business, based upon an average of a large number of commodities. To compare railway purchases with this unit, we arbitrarily agreed that a representative figure would be "car orders," experience having shown that when car orders rise or fall, this is accompanied by a closely corresponding fluctuation in the purchases of locomotives, and of the various products which are used in building and maintaining track and structures.

When the chart was laid before me I was pleased to find that my prophecy had come true in an uncanny degree. Enormous in bulk are the transactions of the railways. There is hardly a commodity which the roads do not buy. To remove from the market railway purchases of almost any article, causes a readjustment in that particular industry.

As our survey progresses into the industries, a large part or the whole of

whose product is consumed by the carriers, we observe two things: First, that the readjustment amounts to a convulsion and prostration; second, that this prostration of industry immediately brings distress, and in some communities, disaster to every branch of trade and manufacture.

In other words, railway purchasing power is so great a factor in total purchasing power of the country that its instability spells general instability. Anything which affects the railways adversely is instantly communicated to the whole business structure.

From time to time I have thought it worth while to have this chart brought down to date. In the fall of 1914, the line indicating railway purchases sank to a point lower than the point shown at any time in 1908, the previous low point for the period covered by the chart, which begins with 1901. The business index in 1914 followed the railway purchasing index down, with about three months interval, and reached a level lower than the low point in 1908. Before the end of the year the business index shot sharply upward, in advance of any upward trend in railway purchases.

In the spring of 1915 railway purchases rose a few points. In the latter half of 1915 we had the unprecedented phenomenon of a business index rising almost perpendicularly, until in the autumn of 1916 a substantially higher point has been reached than at any time in the years, whereas simultaneously railway purchases turned sharply downward. Car orders in the middle of 1916 had reached a lower point even than in the middle of 1914. Hence, a sixteen year period closed with the business index at the highest point ever shown, and the railway purchases at a low point for the period.

It has been conclusively shown that under normal conditions, the vast railway purchasing power, is the fundamental factor in the general business of the country.

So this "external partner" not only starts the wheels of business—general business; but controls its movement.

We now have a structure supported by four legs—two of which are the railways. With two legs impaired, what support can the other two legs give to this structure?

The business index, at the present moment, has reached the limit of the barometer, so if it continues to rise, a new instrument will have to be provided. The "railway purchase" barometer, however, even with the recent large purchases, is still below normal.

But your time need not be consumed in a discursive proof that the apparent exception involved in the chart for

1916 was due to another gigantic purchasing power coming into the market at a time when the railways were not buying—namely, the munitions contracts and war business.

What will be the total purchasing power of the American people at the close of the war in Europe?

You, gentlemen, have before you two diametrically opposed prophecies. Profits have been made in munitions manufacture, and in a wide range of miscellaneous manufacture and trade, growing out of the purchasing power so created. You are asked by some to believe that these profits will give America means to continue the maintenance of active trade. Another important item of accumulation of capital, you are told, will be the retention in this country of great sums formerly sent annually to Europe, in the shape of interest and dividends upon American securities held there, but bought back by Americans in the course of the European conflict.

You have been invited to consider European necessities, in the way of replacing machinery and plant destroyed by the war, and promising large consumption of American products. Those who emphasize this view, underscore also the scarcity of labor abroad, due to death and disfigurement in the war, assuring, they think, high labor cost in Europe, as well as under-production. These factors, we are urged to believe, will make it easy for the United States to compete with Europe in trade, after the war.

From others, you have the opposite prediction made with equal positiveness. You are reminded by them that the United States, just prior to the outbreak of hostilities, was in a state of extreme industrial depression. They state that nothing has occurred since to improve industrial conditions in this country, except the war.

A new currency system, it is admitted, has gone into effect, and everybody hopes that this will give America the same immunity from financial panics, which has been enjoyed by most countries of the world for many years. But it was not a panic which precipitated the condition which existed in the United States in the middle of 1914. There had not been a financial convulsion since 1907. In 1913, business had reached a high mark. We may have widespread and prolonged depression, whether or not precipitated by panic.

The American financial position, again, we assure you, is not really as strong as it seems. Busy as a great part of our industrial equipment now is, and large as have been some people's profits, I need hardly say to you, gentlemen, that the manufacture of muni-

tions has brought disaster to some, and meagre, if any, profit to many; and that there are a number of industrial plants not doing at the present time more than a small percentage of the capacity for which they are prepared.

We warn you to be alarmed, moreover, at certain habits which have become prevalent in America. There is a universal extravagance, personal and corporate. This applies to employes, but it also applies to managers. Arising from this, and other causes, there is a cost of doing business which is undoubtedly the highest ever known in any country, at any time.

Contrast this situation with what we see abroad. Consult astute observers, familiar with what has been accomplished by the warring nations, in organization of their resources. They declare that Europe has made great moral gains. The warring nations have organized their resources. They have developed discipline, economy, adaptation of means to ends, co-operation of managers and men, general co-ordination of energies. These, they assert, have given Europe a productive capacity, a great deal more than offsetting the loss through death and disablement in the war. Not the least new factor is the labor of women.

Europe, again it is declared, has fully restored the habit of saving, which had in some countries been somewhat relaxed before the war. Those who look at it in this way conceive Europe as a group of highly efficient nations, drilled thoroughly and drastically, capable of accumulating capital even when doing business at cut-throat prices, ready to repeat the miracle of the past in the direction of paying off war debts, hungry for foreign markets, and looking with avaricious eyes, not only upon those consumers abroad throughout the earth to whom America must sell if America is to hold her ground, but upon consumers in the United States itself.

You have before you these two views. Some tell you that the troubles of the railways are not your troubles as a matter of purchasing power, because prosperity will persist after the war in any event. On the other hand you are asked to regard the troubles of the railways as your troubles on the score of purchasing power because, it is predicted, you will be in the greatest possible need of railway purchasing power, as soon as the war purchasing power is withdrawn.

Now it is not necessary to ask you to espouse either of these views. All that I need urge upon you is the vital importance of doing the utmost that in you lies, to meet the situation whichever prophecy proves inspired. Here

is a great national juncture. Is it not the part of prudence, as it would be in a critical business situation facing any one of you in his own affairs, to assume the worst, and put your house in order accordingly?

It is not advocated that the railways of the United States should be encouraged or permitted to buy one unnecessary dollar's worth of equipment or terminal facilities; or to construct one unnecessary mile of road. One of our greatest sins as a nation is, that we buy things which we don't need, and which we would be better off without. But no such situation exists. It used to be the accepted scheme of things to assign to the railways a certain part in building up the country.

For years and years the roads have not been playing that part, but have been lagging upon the stage; postponing what they could, patching up what they must, and all but ceasing to grow.

You have been told, until it must have been impressed upon you, that not 1,000 miles of railway were built in the United States last year—the greatest year in volume of general business for the railways to carry, in our history.

That brings me to the single provision of law which I have selected from among the many now pending before congress to call to your special attention. The phase I have in mind has nothing to do with state's rights. It has nothing to do with incorporation, or the regulation of security issues. It has nothing to do with the organization of the Interstate Commerce commission or any of its auxiliaries. What it has to do with, is the standard which the national legislature shall set by statute, whereby the Interstate Commerce commission is to measure railway earnings in the regulation of rates.

I never drew a bill, or an amendment to a bill, in my life. To this abstinence I attribute in part the good health which I enjoy, and such degree of prosperity as a gracious Providence has intermittently allowed me. I shall not offer you statutory language. The best I can do is to give you what I hope you will regard as business English. If I were you I would do all I could to promote, not in the next congress or the congress after that, but in the congress which expires March 4, 1917, the enactment of an amendment either in connection with bills to meet the eight hour situation, or to the act to regulate commerce, providing that the rule for the measure of earnings in regulating rates shall be in substance the same rule that any board of directors of any business corporation on this

planet would have to follow if that corporation were to thrive and grow and perform the functions expected of it.

Three alternatives exist. One is to regulate individual rates with regard to their reasonableness and with regard to discrimination without considering the relation of total revenue to total expenses. In other words, bankruptcy and government ownership. If that is what you want, you can have it by leaving the law as it stands.

The second alternative, is to ordain that rates shall be high enough to produce earnings, out of which improvements and extensions and the development of territory not now served, can come without the investment of new capital through stocks and bonds. It may be that you gentleman can persuade the congress of the United States to pass such an amendment, but I do not believe you can.

The third alternative is to lay down the rule that such a rate structure shall be permitted in every large region that on the average of all the roads traversing that region, and on the average over a period of years, earnings shall be sufficient to attract investment for additions and betterments to existing lines, and for construction of new mileage.

I do not profess to prophecy whether congress will pass such an amendment or not. I do predict without hesitation that if congress does not adopt such an amendment, and adopt it at the present session, the end of the war in Europe will in due course be followed by an American depression of the first magnitude in severity and in length of duration.

You had it in 1914, before this war began. You will resume it after this war is over, if you do not allow a gigantic purchasing power to take the place of the gigantic purchasing power which will be taken out of your markets when munitions and war contracts cease to operate.

Therefore, gentlemen, the true relation of the shippers to the railway problem, is to have this problem solved quickly, fairly, economically; but in such a way as will place this great industry upon a proper business basis, with that full measure of prosperity which will enable it to again take, and maintain, its proper position as the great fundamental factor in our national prosperity.

This, every shipper in the country can logically urge upon the broad ground of "live and let live"; of equity, of fair dealing, further reinforced, if need be, upon the most narrow ground of "self-interest."

The Conference then gave Mr. Leigh a vote of appreciation and thanks. Announcement was next made of the receipt, by special delivery, of a brief statement from Mr. S. P. Bush, President Buckeye Steel Casting Co., of Columbus, Ohio, and a director of the Ohio Manufacturers Association. Mr. Bush asked that his letter be read before the Conference and the Chairman requested Mr. Samuel L. Orr to read the communication, which follows:

The vital questions in connection with the steam railway transportation interests of the country that have been brought prominently before the public and shippers during the past few years have been those of railway regulation, adequate revenues for the railways and the settlement of controversies between the railways and certain groups of their employes.

Railway Regulation.

Not very long since, the Ohio Manufacturers' Association, by resolution, expressed itself in favor of federal regulation and control of all railways conducting interstate commerce.

It further expressed itself in favor of increasing the number comprising the Interstate Commerce Commission with the understanding that such is believed by the present commission to be necessary and that the power of the commission to regulate should be complete and positive in the matter of increasing as well as decreasing rates, and thus be in position to establish some fair relation between cost and operating revenues.

It still further believes that the power to control the issue of the securities of interstate commerce carriers should be federal rather than state, and that the state power should be confined to the regulation of those things that are inherently and purely state matters.

Briefly, in explanation of the foregoing, the Ohio Manufacturers' Association believes that regulation and operation of the transportation interests of the country should be put on a purely business and economic basis, and freed from political influences as far as possible, and this we believe can be best accomplished by a larger measure of single federal control as against the multiple control which we now have.

We believe that with proper organization of the federal power that the rights and interests of the several states and of the nation can be more consistently and uniformly conserved than by the present cumbersome and unbusinesslike plan.

As business men we look at the whole problem as a business one in a business way, observing the wastefulness and inefficiency of the present system.

We feel that the abuses of the past have long since been eliminated and that our governmental policy toward all business, while maintaining thorough regulation, should be genuinely constructive.

We manufacturers of Ohio believe that if our own industries are to prosper that other industries must prosper; that if we demand fair treatment and efficient regulation on the part of the government that we must concede this to all other industries.

Governmental regulation in all business, including transportation, is directed to a wrong objective when not in harmony and not promoting the natural laws of business and a maximum economic efficiency. Natural laws and statutory laws must align with each other.

We feel that much of the regulation of all business has contained and still contains an element of vindictiveness that should be abolished. Regulation of the railways should have efficiency and the national welfare as its aim, and nothing else. Prosperity is the objective point and pros-

perity of the various separate interests is the fundamental basis for national prosperity, the true safeguard for national welfare.

Railway Revenues.

It is a fundamental principle vital to the national economic welfare that if any considerable interest is not thriving fairly or able to improve and develop in civilization, that it is harmful to all interests.

Business done at a profit is the fundamental basis for individual and national prosperity, and with this in view where natural conditions make it possible, we ask for ourselves and others not to be restricted and regulated by law so that under fair average management we cannot make a profit that will make it possible not only for industry to live, but to progress and develop.

The railway transportation industry being such a vast factor in connection with all of the country's interests, should be so regulated as to make this result possible, not only in justice to the railway interests themselves but in justice to all other industries.

It is a matter of vast importance that the railways shall be permitted to co-operate in the greatest possible degree to the end that waste may be eliminated and efficiency promoted.

The manufacturers of Ohio are particularly interested in seeing the most efficient railway operation to the end that rates of railway transportation may not be made any more than is absolutely necessary. Seeing as we have in the past, diverse, conflicting and wasteful regulations of the several states, unnecessary and uneconomic financial burdens in some cases, we think that much that is desirable may be accomplished by regulation that is more uniform and more free from selfish interest.

Railways and Employees.

With reference to controversies between railways and their employes, which during the past few years have become more and more acute, and recently threatening a very general suspension of the transportation service, the public and shippers have been very apprehensive.

The main question involved in these controversies is generally that of wages. Unquestionably the public desires to see all of the railway employes fairly compensated and otherwise fairly treated, also that the railways may be fairly treated, and public sentiment, it is believed, can generally be relied upon to throw its influence on the side of justice.

Up to the present time there have been various mediation and arbitration proceedings, but little, if any, substantial information has come to the public from these; in fact, it has been reliably stated that the facts brought out at these mediation and arbitration proceedings could not be made public by reason of an agreement between the parties that they should not be made public.

With both sides to these controversies asking for the support of public opinion and the public being such a vitally interested party, it would seem that the public really has a right to a knowledge of all the facts.

We are very strongly in favor of arbitration in such controversies between common carriers and their employes, both as a principle and as a practice.

When such controversies arise it would seem that a determination of the facts by a committee or board composed of men thoroughly qualified to determine all of the facts having any bearing on the questions at issue should be made and at least given to the public, although if such committee had power to render an award, even though not binding by

law, it would go far towards eliminating the possibility of railway tie-ups.

It would seem that some form of legal procedure in the determination of the facts and even the making of an award must be applicable to these controversies. It seems strange that in all of the mediation and arbitration proceedings, held thus far, no foundation has been laid in the way of standards for the determination of fair compensation. Certainly there must be some relation between the value of the service rendered by railway employes and those engaged in other industries. The degree of intelligence, of skill, of hazard, of physical and mental strain and reasonableness of service requirements must be fairly determinable, and it does not appear that any of the rights of either party need be curtailed or taken away, and undoubtedly the public should not be called upon to suffer the suspension of its transportation facilities because either side to such a controversy may have the power to impose it arbitrarily, when any of the questions involved can be settled fairly by orderly proceedings, and according to common and natural standards.

We are, therefore, very strongly of the opinion that investigation and publication of all the facts bearing on such controversies prior to the suspension of railway transportation should be a lawful requirement. (Applause.)

Chairman Murphy then explained to the Conference that Mr. John A. Russell, Dean of the School of Commerce and Finance of the University of Detroit, who was expected to lead a discussion, had been unable to attend because of an injury to his eye. The Chairman then called on Mr. S. J. Roy, Field Secretary of the National Rivers and Harbors Congress, who spoke on the following subject:

"Development of Our Waterways."

Development of Our Waterways.

By Sidney J. Roy,

Field Secretary of the National Rivers and Harbors Congress.

Mr. Chairman, Ladies and Gentlemen: I am here attending this Conference on my own invitation. Whenever a field secretary of the National Rivers and Harbors Congress hears of any conference anywhere within the confines of the republic that has for its purpose the consideration of the great fundamental question of transportation, he is expected to buy a ticket to that place immediately. So I was over in Chicago yesterday and I came down last night. I am glad I am here.

I expect since you have been listening during this afternoon and this evening to these splendid and well-prepared addresses that you feel very much like the toastmaster did out in Missouri who introduced me to an audience one evening after a dinner. After we had disposed of the coffee and had taken a cigar (he was a little nervous and new at the business of being toastmaster) he said, "Brother Roy, shall I introduce you now or shall we continue to enjoy ourselves a while longer?" (Laughter.)

I haven't any prepared address for you and I feel a little embarrassed following these five or six splendidly prepared and brilliant addresses on the great question of transportation. I feel very much like two famous men did when they met in Chicago. One of them was from my town. Mark Twain was introduced to General Grant, and Mark said, "General, I am embarrassed. Are you?" After the General became President of the United States and after he had been President he went around the world and when he came back by way of Frisco over to Chicago the Grand Army of the Republic had a great banquet at the old Palmer House. Everybody of any distinction in the army was there and they invited that great Missourian to be a guest. Mark Twain met the General for the first time in quite a number of years, the only time in fact since he had met him and made that remark. He met him now in the presence of that great audience that was welcoming the victorious general and the great president on his return from around the world. The General, you know, had a very tenacious memory and he said, "Mark, I am not embarrassed. Are you?" (Laughter.) So I am not going to embarrass you this evening and I am not going to be embarrassed either. I am going to start talking waterways right now.

In all this waterway business and transportation business in the United States, I mean railway and water transportation which has developed during the last forty years, its development and growth has been the most wonderful thing on this continent. I sometimes think that it has developed a good deal like a negro down in Oklahoma said about the Rock Island railroad. A traveling man went down to the station and met Jim, the porter of the hotel, and he said, "Jim, is this the Rock Island System?" Jim says, "No, sir, this ain't the Rock Island System." The traveling man said, "You mean to say that this is not the Rock Island system? Isn't it the Rock Island railroad?" Jim says, "Oh, yes, sir, this is the Rock Island railroad, but we never had no system connected with it." (Laughter.)

Now, there has been a good deal of lack of system in developing our railways and a good deal of lack of system in developing our waterways.

There are three kinds of transportation: Railways, waterways and highways. A community must have, if it would prosper, all three kinds of transportation developed to their highest point of efficiency. Now, the great trouble with most of the American communities is that they only have one kind of transportation. Now, down here in Southern Indiana,

you only have one kind, and in that way you are a good deal like the other states of the Union. You have the right-of-way for some highways; but only a few highways. You have the right-of-way for a waterway out here but you are waiting patiently for the government to build it for you.

Now, during the last forty years the building of two hundred and fifty thousand miles of railways has absorbed the imagination, the energies and the finances of the continent. Down on the banks of the Ohio, up on the lakes and everywhere else, you have almost forgotten the kind of transportation out of which this civilization came. This splendid town here, the men who laid its foundation, came here by waterway; and this splendid little metropolis of southern Indiana will only have its maximum development as an industrial and commercial, intellectual and social center when it has developed its maximum in the carrying of freight on the great Ohio river.

You know there have been some empire builders in this country. In 1827 when New York built the Erie Canal it built the most far-reaching piece of internal improvement ever built in any country in the world. Its influence on commercial and industrial development on this continent has been the most profound of any other public work. When that canal was built New York was the smallest of the three large cities in this country, Philadelphia, Boston and New York. A few years after that canal was built New York began to grow as a jobbing center and then as a manufacturing center and then as a financial center and then as an intellectual center and as a printing center, until today, with this continent back of it, it is the financial, intellectual and culture center of the world, made so and made possible by a little strip of water across the state of New York that tapped the great inland waterways, the lakes, and literally compelled a great continent to throw its tonnage into the Hudson and pay toll to New York, at a cost of \$27,000,000. Right now, not yesterday, and not tomorrow, but today, the state of New York is spending \$150,000,000 of its own money to build the Erie canal into the state barge canal. Why is it building it? Just for fun? Just to spend the money? Why, no; they are rebuilding the Erie canal into the state barge canal, not to build New York, but in order that New York may continue to compel the great north-western territory to send its tonnage out into the commerce of the world through the port of New York and continue to pay toll to New York.

The first railway freight rate made in the United States to compete with the waterway was made by the New York Central railroad to compete with that little strip of water across the state of New York and then an ingenious freight clerk out in Buffalo said, "Here, if you can carry it here why not carry it on further and compete a little further west?" So they extended that rate by percentage out to Chicago and by virtue of the Erie canal and the lakes Chicago became the center of the earth so far as freight rates is concerned. You know that. You shippers especially know that. It is like the zenith city of fame and story, so near the center of the earth that the horizon comes down at the same distance all around it, and the commerce comes down at the same distance all around Chicago.

Now, let me call your attention to a little thing. In the early development of this country the Ohio river was a great highway. It was not a navigable stream but they used it as a navigable stream at times. It was not dependably navigable. But our ancestors out in Missouri all came by here on their way out into Missouri and back again into Kentucky and Virginia. Pittsburgh started and grew by water transportation and accumulated population and wealth, and then the railroads came. Cincinnati the same way. Old Louisville started by the falls of the Ohio river. But during the last two decades that row of towns, starting with Pittsburgh, Cincinnati, Louisville, Evansville, and St. Louis have been, not standing still, but they have not been growing like they ought to grow. But at the same time old Buffalo has been growing twice as fast as Pitts-

burgh. Cleveland has outstripped Cincinnati about three to one, and Detroit, you know, has passed Louisville. They are not mentioned in the same class as growing American cities. And Chicago has passed St. Louis until they are not mentioned in the same class as great, growing American cities.

What is the reason? That row of cities on the lakes has all kinds of transportation developed to their highest point of efficiency. The most efficient railroads on this continent or any other continent has are the railroads that parallel the most efficient waterways and you will find them along the lakes. You know that row of cities on the Ohio river. If you will look into it you will find they have not been growing like you hoped they would grow and they will not grow in the future unless they have the same kind of transportation that the other fellow has, and they can't have it unless the Ohio river is canalized for nine feet and opened to dependable navigation. (Applause.)

Now, here is the situation. I am not going to go into the details or the reasons why waterway transportation is cheaper and more economical than railroads. We have got to have them both. No advocate of waterway development in this country who is worthy to be in it is going to decry railroads. We need them. We are compelled to have them. We want them, but we want them to come along and work with the waterways. Now, I am not afraid about their going to do it. About ten or twelve years ago it was quite the popular thing among railroad men to decry waterways; but the great propaganda that has been growing all over this country during that time has educated the railroad men the same as it has educated the rest of us, until the owners of the railroads and the operators of the railroads are now conceding that the rivers and lakes and these vast improvements should all be built up and made to serve the growing commerce that is here and the still greater growing and stupendous commerce that is to come. They must work together. As I say, I am not afraid that they are going to work together. The waterways of the country are owned by the people of the United States. The railways are owned by the people of the United States. And we are going to compel both of them to serve the highest ends of modern civilization. (Applause.)

There are some tendencies going on in this country of ours, and I am not going to speak but just a moment, Mr. Chairman. The railroads can only do about so much to serve a certain territory. Now, you take the great Mississippi river; we had hoped, you had hoped in Evansville, we had hoped over in Missouri, and they had hoped up in Illinois, up in Ohio, that this great valley would grow and become the great dominating industrial center of the world. We all had hoped individually that the Ohio valley and that the Mississippi valley would grow and become the great industrial and dominating centers. You know they are not doing it just like you would like to have them do it. Now, why is it they are not doing it?

Let me give you an illustration which might in a way show you the reason why they are not doing it. Over in Kansas City is the Peet Brothers' soap factory, which is a bi-product of the live stock business of Kansas and Missouri and Nebraska. When the Panama Canal was opened up the rate up to 'Frisco and Oakland, California, was eighty cents. The intercostal rate from Oakland to 'Frisco was forty cents. It meant that the soap from Kansas City would not be used to cleanse the Pacific Coast. Now, what happened? The Peet soap factory has just completed the building of a \$250,000.00 soap factory in Oakland, California. What does that mean? That means the transferring from Missouri of \$250,000.00 of invested capital and putting it out on the Pacific Coast. What further does that mean? That means further the employment on the Pacific Coast for those people in the making of soap in that factory. It will mean

that the people from Kansas, and from Missouri and from Nebraska will move out there to get employment in that factory. It will mean the taking away of just so much wealth from the Kansas City district. What does that mean further? It means that the life in the Mississippi river valley will not be as progressive, will not grow. It will mean further that Oakland, California, and the Pacific Coast will get this growth, that the people will go there, will spend their money there, and will educate their families in California.

Another example of that kind: The Proctor and Gamble Soap Company of Cincinnati, Ohio, had to build on the Atlantic Coast a soap factory in order to hold its business. Why? Because it could not compete on account of the freight rates.

So you keep on with the process. The rates on manufactured products from this city here in the state of Indiana are such that if you have a competitor in the same line, if you have close competition and work on a close margin against a competition on the Atlantic or Pacific Coast, that you can't enter in the South American countries. Why, you can't get in this country, into the southern part of this country as against New York. Do you know that New York and Boston and Philadelphia can ship shoes from Lynn, Massachusetts, to the south at twenty-four cents a hundred, cheaper than the St. Louis man can ship them to your back door? It is simply because of the waterways. The rate on wire screen shelving for refrigerators from Clinton, Iowa,—this is a humble thing I am giving you, but it is the God's truth—\$2.80 to 'Frisco from Clinton, Iowa; \$1.60 sent through New York, around through the Panama Canal to San Francisco. What was the result? A shipment of 1450 pounds went around through New York, a saving of 36 per cent. on freight rates, and a saving of 18 per cent. on the value of the invoice. Can the manufacturing and industrial lives of this great valley stand that? You can't do it; and railroads cannot give you the relief. The only thing that can relieve you is the enactment and the enforcement of the law, and the education of the men who own the railroads, to build and develop the waterways and the railroads and compel both of them to work together and serve you and serve this great valley. That is the only solution for getting your commerce out into the world.

What is the result if you don't get it out? During the last census decade you thought you were going to increase in population and power and have more to do with the government of this great republic than you have ever had before, but on account of the transportation facilities along the coast the population piled up along the coast, because they could do business there better and cheaper than you could in the interior. You can do a domestic business satisfactorily, inside your own states, but the next great spurt in growth in this country in manufacturing is going to be incidental to your participation in the great foreign commerce of this continent. And what chances are you going to have in that, unless you have the same equipment for participating in the foreign commerce that the other fellow has, and you can't have it unless you can assemble materials of manufacture in your community as economically as they can be assembled in the other fellow's community. And unless you are able to distribute the products of that factory into the uttermost parts of the country as economically as they can be distributed from any other part of this country or any other country, you are not going to participate in that growth.

Now, here is the final result. If you can't hold the manufacturing in the Mississippi valley the great population will drift out to the shore line and there will go the accumulated wealth of the nation and we will be paying toll to the outside.

What is the final result? The great universities and art galleries and things that dominate the finer life of the American continent will be

built where the accumulated wealth is. If we are going to build up in Indiana, in Ohio, in Illinois and Missouri and in Kentucky, in this great rich valley here, we must have the transportation facilities. We must have the facilities for the transaction of business, just as good and a little better than the other fellow has. If we don't, the wealth of the country will go to that place that has the transportation facilities.

The one hope of this valley is the building and the welding together of all kinds of transportation and compelling them by law to serve the great ends of this civilization. I thank you. (Applause.)

Following Mr. Roy's address Mayor Bosse took the floor and outlined the plans for the complimentary banquet scheduled the following evening. The meeting then adjourned until Friday morning.

FRIDAY MORNING SESSION.

December 15, 1916.

Chairman Murphy called the meeting to order at 10 a. m. and after a few general instructions requested Mr. Robert L. McKellar, of Louisville, Ky., Director of the Louisville Board of Trade to preside. Mr. McKellar, upon taking the chair, spoke as follows:

Mr. Murphy, and Gentlemen: First, you will let me say that I am a director of the Louisville Board of Trade and the delegate to this conference from that organization and I wish to extend from that association greetings to the Evansville Chamber of Commerce and other bodies that are making this conference such a constructive one, and such a success, and to congratulate this city upon being to the front in calling a conference of this kind.

As a member of the railroad fraternity I also wish to thank the chairman of the conference for the honor conferred upon our fraternity by selecting one of its members to preside at this session this morning, Evansville is quite popular with the railroad fraternity and any railroad that has not a line into Evansville is either blind to its own interests or else so unfortunate as to not have recognized the value of Evansville and built into here before the time came when railroad securities were undesirable as investments.

I want to say a word or two more about Evansville, if I may be permitted. The products of the mills and factories of Evansville go all over this country, from Maine to California, and from the lakes to the gulf, from Canada to South America, to the wheat fields of Russia and the rice fields of the Orient. It is, therefore, very proper that Evansville should take the lead in studying a question that the whole country is now considering—transportation. I don't suppose that there ever has been a period in the history of this country when the question of transportation was being studied as intensively, seriously and as generally as it is being studied at the present time. The reason for that is that we are up against the necessity for studying this question. I am not going to touch on our greatest troubles, how they would be relieved. Others have thought that out and will have something to say on that. But I wish to have a little something to say or a few words to say in regard to the troubles of the recent past, present and the near future in the way of car shortage. That is what is pressing us mostly at the present time.

In the latter part of October the car shortage became very acute and it became necessary for the railroads all over the country, as well as the shippers, to begin to study the question as to how cars could be distributed

so as to take care of the immediate needs of commerce. The interstate commerce commission, under Commissioner McCord, held a meeting, a car shortage hearing in Louisville, lasting from November 3rd until November 22nd, a total of fifteen days, with two sessions and sometimes three sessions a day. Notwithstanding the fact that that is a good long while to give to the special study of one subject, almost that entire time was taken up in considering the shortage of coal cars alone. The shortage in box cars was hardly referred to until the latter part of the conference. Representative carriers from all over the United States were present at that hearing, as were the interested shippers. The question was gone into very thoroughly, with the result that when they adjourned on the 22nd of November it was to reconvene in the City of Washington, to take up at that point the question for further study in connection with what is termed an efficiency committee appointed by the American Railway Association. That efficiency committee is composed of four railroad representatives and one representative from the American Railway Association. For the south and southwest Mr. Worthington of the Southern Pacific has been appointed on that committee. From the northwest Mr. W. L. Park, of the Illinois Central, has been appointed. For the east is Mr. Shaeffer of the Pennsylvania railroad, and for the south is Mr. Coapman of the Southern railway. Mr. Hodges is Chairman of that committee and he represents the American Railway Association, therefore representing all of the carriers. Working with that committee is chairman McCord, who was in charge of the Louisville hearing, and Frank S. P. Dow, who was also associated with Mr. McCord at the Louisville hearing.

This efficiency committee is studying every phase of the car shortage problem and from day to day is issuing such orders as it thinks will bring about a better distribution of cars in order to relieve the car shortage throughout the various parts of the country.

It is my suggestion that if any community, or if any set of shippers feel that the car situation is not being properly handled, for them to communicate with this efficiency committee and let their wants and their troubles be known.

As I say, it is not my intention to go into the transportation subject, but as a railroad man I wish to say just a word or two in connection with water transportation.

I believe at one time it was the general feeling that the railroads were all opposed to any consideration of the inland waterways. In my opinion, that has long since become an exploded theory. There is no objection whatever, so far as I know, on the part of the railroads to the improvement of the inland waterways. A number of the railroads are co-operating in that effort; and I hope that if any such thought still remains in the minds of some people, that the carriers as a whole are in opposition to the improvement of the waterways, that that impression may be dismissed as unfounded.

In mentioning the connection of Evansville with this important question of transportation and her activity and aggressiveness in going into the question, while it is a live one, I also wish to congratulate the people of Evansville on the work of their Mayor. He has certainly to the outside world placed Evansville on the map and I think he is doing his full part toward keeping it there. We congratulate him and you are to be congratulated in having such a man at the head of your city affairs.

If I understood the wishes of our chairman a few moments ago, it was that until the arrival of the next speaker that we should have short talks from different ones in the audience who would like to be heard on the question of transportation. I will now invite five minute talks from anyone in the audience who wishes to be heard on this subject. I hope, gentlemen, that you will not be backward in coming forward.

Mr. Charles C. Gilbert, (Secretary Tennessee Manufacturers' Association, Nashville, Tennessee): Mr. Chairman.

Chairman McKellar: Mr. Gilbert.

Mr. Charles C. Gilbert: It is my pleasure to attend this convention as a representative of the Tennessee Manufacturers' Association and on behalf of that organization I want to congratulate and compliment the Chamber of Commerce of Evansville, backed by its splendid citizenship for its forethought in arranging for this conference.

I want to say, Mr. Chairman, and to you, gentlemen, that it omens well for the welfare of this country when business interests will gather together in a conference like this to discuss a question that is of such great importance to the upbuilding and development of this great country.

The Tennessee Manufacturers' Association looks upon this question of transportation as going hand and hand with the development of our state, and never for once will that organization submit a stumbling block to be thrown in the way of the development and the upbuilding of the transportation systems and facilities in our state. We have three means of transportation throughout Tennessee that we are encouraging: Namely, the rail, the river and the highway. Never do we lose an opportunity to foster any of these movements that will tend toward their improvement.

Mr. Chairman, I want to say further that the manufacturers of this great section of our country cannot afford to arrest and embarrass the transportation systems of the south, because the railroads and the river transportation systems go hand in hand with the manufacture of our products. (Applause.)

Now, in our state, in the state of Tennessee, we have at least thirty counties that are not touched by rail or river. The goods that are produced in those counties, the raw materials that the manufacturer needs so badly, must be transported overland. I want to tell you during the last ten years that the railroads have not developed in the south. Their percentage of construction has been distressingly small. I am ashamed for our own state in that regard. Tennessee has constructed fewer miles of railroad during the last ten years than any of the southern or central states. We attribute that largely to the demagogues that exist in our state. I have served in our legislature in Tennessee and I have sat there and listened to the demagogue as he would face the gathering and lift his voice almost to the sky and damn the railroads from start to finish just to hear the applause from the gallery.

My friends, we have got to stop that kind of business. This railroad proposition is a business proposition and until the business interests of this country, the people of this country realize that unless the railroads are left alone and assisted in their construction and development, the manufacturing industries and its various interests that are dependent upon the development of our resources, unless those interests are encouraged, then our country is not going to go forward as it should go forward. When the great war is over, and it is going to be over some of these days, this country is going to be looked upon as the greatest country under the sun, if it is not looked upon in that light at the present time. We must take advantage of the opportunity. We must lock and dam our rivers and we must encourage the building of railroads until every section of the whole country is touched by some branch of one of our splendid systems of railroads. Our association in the old Volunteer State is doing everything it can to encourage these means of transportation, not for our good, but for the good of the men, women and children who live in that state and the states that touch our borders.

We are glad to compliment Evansville and you people from other states who have given of your time and efforts towards making this conference a success.

Mr. Murphy: Mr Chairman, I desire to read into the record a telegram I have had from Theodore N. Vail, President of the American Telephone & Telegraph Company. He says, "The questions you propose to discuss are the most important ones now before the country. Upon the wisdom of their handling and ultimate settlement largely depends our immediate future. I can only express my highest appreciation of your invitation to address your meeting and deeply regret that I am forced to decline owing to an unexpected call from the country on important business."

THEODORE N. VAIL."

(Applause.)

Chairman McKellar: Gentlemen, I am sure you all enjoyed hearing from the Tennessee Manufacturers' Association and the message that they had to deliver to us today. Next to Kentucky is Tennessee. Is Mr. Lawrence Finn of the Kentucky Railroad Commission in the audience?

Mr. Lawrence Finn: Mr. Chairman, I thank you very much for calling on me, but I want to take some of your time this afternoon. I might possibly request you to listen to me then and, therefore, I would not care to impose on you now.

Chairman McKellar: We shall be glad to listen to Mr. Finn at any time he desires to address us. Will Mr. L. K. Webb, of Louisville, Kentucky, give us a few words?

Mr. L. K. Webb, (Manager Cumberland Telephone Company, Louisville, Kentucky). Mr. Chairman and gentlemen: I think that inasmuch as the Louisville delegate was made chairman of this convention this morning that our city is amply represented. I will not take up any of your time. However, I appreciate the opportunity of coming to Evansville and would like to come back again for this purpose. I do congratulate you, gentlemen, on this convention.

Chairman McKellar: Is Mr. J. C. Clair, of the Illinois Central Railroad of Chicago, Illinois, in the audience? If so, we will be pleased to hear from Mr. Clair.

Mr. John C. Clair: (Industrial and Immigration commissioner, Illinois Central Railroad, Chicago, Illinois.) Mr. Chairman and gentlemen: Against my physician's orders I am here this morning, but in view of the request of our vice-president, Mr. F. P. Bowes, in charge of traffic, and our freight traffic manager, in view of their wishes I am here, simply to meet with the delegate to participate by way of shaking hands.

It affords me great pleasure to offer a few words upon that second greatest industry of the world—transportation. We all know that agriculture comes first. Transportation depends upon agriculture, as does every other industry of this country. The work of my department is that of development in the Mississippi Valley, and I want to say in consideration of that work that there is no part of the United States today that offers such national advantages and inducements in the uplift of our great industries as does Dixie land to the south. (Applause.)

And so in Evansville this morning, near the center of the population of the United States, it would seem psychological that this conference was called at this point, and I, too, in line with the other speakers, wish to congratulate the Chamber of Commerce of this very active city as well as your great public spirited citizen, your very notable citizen, your Mayor

Bosse, for what they have done in bringing about the audience that is here this morning.

Now, gentlemen, regarding transportation, it was pleasing to listen to the gentleman this morning who spoke so generously as to the standing of the railroads. Yes, indeed, the railroads of this country are interested in the waterways and all other mediums of transportation. It would be a very narrow railroad and a very narrow-minded individual who would think otherwise.

I want to say in behalf of the Illinois Central Railroad, gentlemen, that when the deep waterways are completed from the lakes to the gulf, I predict that the Illinois Central Railroad will be a four-track line instead of a two-track line from Chicago to New Orleans. (Applause)

Take into consideration for a moment what is the most important avenue of that work. It is our public highways. Do you realize that upwards of ninety per cent. of all traffic handled by the railroads of this country is first handled over dirt roads or the highways? Therefore the railroads' interest in our highways. We have two counties in the state of Illinois that are still waiting for rail transportation. Compare the citizenship of those counties with the other counties and you will readily understand the importance of railroad transportation.

In behalf of my company, I am very much appreciative of the honor that has been bestowed upon me, but just a word again with reference to agriculture, our first great industry. The railroads of today are very much interested in their sister industry, and well they may be. After the war is concluded we will then have more reasons to appreciate the importance of our farm land. This country today, the richest in the world, is the most wasteful. My friends, we haven't yet begun to study economics. I want to cite just for the moment—and by the way, I don't wish to take up the time here, Mr. Chairman, if there are other speakers ready—

Chairman McKellar: Go right ahead. We are glad to hear from you.

Mr. John C. Clair: Thank you very much. I will take up just a few moments, but I want to say a few things now with reference to this country of ours and with respect to agriculture. Take the four neutral countries of Europe, Norway, Sweden, Holland and Denmark. They represent the great dairy business of the old world. Now, Denmark is about the size of the state of Illinois; has a population equal to that of Chicago, two and a quarter millions. But Denmark sends to England \$40,000,000 worth of butter, and \$20,000,000 worth of bacon, and lays aside \$7.50 an acre. That shows the value of economics, gentlemen. We do not need to go across the seas for illustrations. In our own Wisconsin last year the returns from dairy products was \$100,000,000.

I want to thank you for the courtesy of inviting me to speak. (Applause)

Chairman McKellar: I am sure that everyone is pleased to have these words from the representative of the Illinois Central Railroad, who makes it his business to understand conditions of particularly the territory served by the Illinois Central Railroad. He is, therefore, in a position to speak authoritatively on this subject. If Mr. Van Winkle, President of the Indiana Manufacturers' Association is in the audience, we would be glad if he would favor us with a few remarks.

Mr. A. M. Van Winkle: (Indianapolis.) Mr. Chairman.

Chairman McKellar: Mr. Van Winkle.

Mr. A. M. Van Winkle: I am here as a representative of the Indiana Manufacturers' Association.

This problem of transportation is a question in which every manufacturer, industry and section of our country is deeply interested. Without transportation it would be impossible to manufacture except in a very limited way, and we could only manufacture goods that could be distributed in the immediate neighborhood, if it were not for our transportation lines. Anything that interferes with the development and with the proper operation of our transportation lines is a most serious mistake and will work most serious injury to the public.

Just what should be done in the way of development of these great arteries of commerce, it would be presumptuous in me to undertake to state, but we believe that those men who are making a study of the necessities of transportation will work out this proposition to the end that nothing may happen to cripple the lines or to hinder their development.

The improvement of our waterways, the natural lines of transportation, is of very great importance and we ought not to be satisfied until we have made available all the natural waterways that are susceptible of being improved to the point of carrying freight. (Applause) The industries of the United States produce about \$24,000,000,000 worth of manufactured articles. That is a tremendous amount, and when you think of the tremendous tonnage that must be moved by the railroads, or the waterways, it is something to stagger the imagination, it is something most wonderful. The society of any nation is so absolutely dependent upon the manufacturing industries that it could not exist without them. The human family uses but very few things in the form nature produced them. Almost every article we use, every tool, every article of clothing, and the greater portion of our foods are the products of the factory, and with the process of manufacture has been added to the raw material a value of the raw material of from one hundred to five thousand per cent. When we consider that the products of the factories of the United States amount to \$24,000,000,000 a year and will represent the added value of one thousand per cent. over the raw material cost, you will better realize the absolute necessity of providing ways and means by which manufacturing may be encouraged. One of the essential things to a manufacturing community and manufacturing location is ample facilities to transport your raw materials to your factory and your finished products to the markets. Without that your factories are absolutely dead. Therefore, the business world, the manufacturing world and the consuming world are all vitally interested in the protection and in the further improvement of our transportation facilities; and anything that hinders that, hinders the welfare and development of this country.

I thank you, gentlemen. (Applause)

Chairman McKellar: Gentlemen, we will now take up the regular program of the morning. One of the most intricate and also fascinating subjects in connection with railroad commissions is that of rate adjustment.

Our next speaker has made that one of great study. He has appeared before the Interstate Commerce Commission any number of times. He has spent days and weeks, and I expect, even months in testifying before that body. He is a recognized expert all over the continent on the subject of rate adjustment, and on the subject of rate regulation. His address today will be on the latter subject. I have the honor of introducing to you Mr. Clifford Thorne, Chairman of the Board of Railway Commissioners of Iowa, whose subject will be "Does Regulation Pay?" Mr. Thorne. (Applause)

Does Regulation Pay?

By Mr. Clifford Thorne

Chairman of the Board of Railway Commissioners of Iowa.

Mr. Chairman, I am not going to testify months this morning. I will try to make it a little shorter.

I have been glancing over your proceedings of yesterday. I find that you have heard from the General Solicitor for the great railway systems, condemning public regulation as it has developed in this country. I find also that the president of the Railway Investors' Association has joined in this condemnation. I find that a representative of a railway supply association has joined more or less in the same condemnation. I find on your program this evening that you are going to hear from the chairman of another committee, a very prominent man in railroad circles. I find on the platform this morning a representative of the railway employes. I do not know what position he is going to take on this question. I find that I am sandwiched in here between these distinguished gentlemen and it is with extreme hesitancy and fear that I may not be able to present facts that you should consider before reaching conclusions on one of these great questions that is being pounded home on the human mind at the present moment. I beg of you to have a care, gentlemen, have a care. Don't embarrass by any action that you may take a just, equitable solution of these problems by tribunals that will patiently examine into all of the facts before they announce their conclusions. (Applause)

We are met today in the heart of industry of a continent. The center of population has been within the bounds of Indiana for a generation. The center of the food products of the nation lies within three states to the west of you, Illinois, Missouri, and Iowa. The center of manufactures lies just over the border to the east of you, in the state of Ohio. Here, in the very heart of the center of the industry of a nation, it is eminently fitting that we should sit down quietly, calmly, to review some phases of this great economic question that is confronting the people of the present hour.

Telephone, telegraph, railroads, gas plants, transmission lines, etc., etc., are all subject to state and federal regulation of one kind or another. The invention of steam or the discovery of the practical application of steam and electricity to our needs, to the efficient, rapid, economic distribution and to the manufacture of the luxuries and necessities of life, have revolutionized human industry during the past half century. It marks an epoch in the industrial history of the world. These marvelous changes have brought with them some perplexing problems for us to consider. One of these is how can we efficiently, and sanely, regulate business.

We are just at the threshold of this subject, just nibbling around the edges. You know, the capacity of American railroads is ten times greater than the capacity of your national banks and yet you have only had railroads with you within the lives of those whom you and I see occasionally on the street. Why, you had national banks for several thousand years. I mean, you have had banks for centuries and centuries.

It is not strange that we have not thoroughly grasped this subject as yet, that we do not fully appreciate its importance. Do you realize how often you pay a railroad tax? Come with me this morning. I sat down here at the Vendome hotel and had some oatmeal, coffee and toast. Freight rates have been paid upon the oats from some outlying country district to the mill. Freight rates have been paid on the oatmeal from that place where it was made to the City of Evansville. Freight rates

have been paid upon the dishes upon the table. Perhaps not on the table, I guess you make tables here, don't you?

Chairman Murphy: Yes, we do.

Mr. Clifford Thorne: Freight rates have probably been paid on the table cloths, or do you make them, too?

Chairman Murphy: No.

Mr. Clifford Thorne: Freight rates have probably been paid upon the furniture, the chair upon which I sat, the pictures on the wall. Freight rates have been paid on practically everything that I have on. Last night when I left Chicago I paid some money to the railroads in order to get here, and finally I am here, worth about thirty cents, and you will say twenty-three before I get through. (Laughter.) Freight rates are paid upon practically everything you eat or wear. You pay a railroad tax whenever you go any place, whenever you ship anything, whenever you buy anything that comes to the town where you live. You are paying your railroad tax every day, on practically everything you eat or wear, and whenever you go any place, whether you are rich or poor, learned or ignorant, great or small, whether you are running a ranch or selling peanuts, you must pay this railroad tax constantly, day in and day out. It is the most gigantic industry that has ever been developed in the life story of mankind outside of agriculture.

A few years ago I had Mr. Hugh L. Cooper on the stand. Perhaps you know of him. He has built more waterpower plants than any other three men who have ever lived on the face of the earth. He built the celebrated Keokuk dam, which is the largest individual waterpower plant in the world. During the examination of Mr. Cooper I asked him about how much the cost averages, the cost of power in the manufacture of staple products. He said that experts had estimated that as applied to the manufacture of flour, which could be considered fairly representative of a staple product, the average was one and two-thirds cents a hundred pounds. At that time we were trying to get a reduction in the rates to Keokuk from the East. The citizens were paying nine cents a hundred pounds more than St. Louis for precisely the same service from New York City on first class, and four cents on the sixth class and correspondingly higher on the intermediate classes. Did you follow these figures? In other words, according to the sworn testimony of the man that built the largest waterpower plant on earth, according to his testimony, a man who would be apt to estimate to its full the importance of the cost of power to manufacturing, according to his estimate, a reduction of a few cents in the freight rates, of from four to nine cents in the freight rates to Keokuk was of more importance, several times over, to the industrial development of Keokuk than the building of this great dam at the cost of twenty-five millions of dollars at her very door. (Applause.) According to his testimony, if the citizens of Keokuk had built that dam from the money in their own pockets, at their own expense, and would have said to the manufacturers of the country, "Come to Keokuk; we will give you your power free of cost;" it is more important that she should get on an equality with St. Louis by the reduction of a few cents in the freight rates, and the manufacturer could better afford to go to St. Louis, or Quincy, than to Keokuk, even though the Keokuk citizens would give the power free of cost to anybody that would locate there.

Well, the Interstate Commerce Commission, recognizing the justness of the claims of the citizens of Keokuk, Burlington and the upper river crossings, put them on an equality with St. Louis on traffic from the Atlantic seaboard. We are now trying to get the same equality from St. Louis to our association territory, Michigan, Ohio and Indiana, generally speaking. In that case was regulation worth while?

It was natural for regulation to concern itself at an early date with railroads, because next to agriculture railroads are our greatest industry and railroads are undoubtedly the most gigantic example of organized wealth which the world has ever seen up to the present day. At the present time we have had twenty-seven years of experience with the regulation of our railroads. The record of this experience is kept officially by the interstate commerce commission, compiled from the sworn reports of the carriers to the commission. There may be occasionally very light errors in the figures in those reports, but I know of no attack upon the validity of those reports of a substantial character from any source whatever. The railroads are constantly quoting those statistics. They are entitled to your unqualified confidence, providing they are properly interpreted.

From this vantage point of twenty-seven years of experience, let us glance back over the records and see what regulation has accomplished. Is it really worth while? Where has it succeeded and where has it failed? What are the defects, if any, that should be remedied at the present time?

I am here, gentlemen, today—please do not misunderstand me—I am here today not with a brief for any cause or any case. I am here simply to review hurriedly the records of what regulation has done, to see whether the attacks that are now being hurled at public regulations are well founded or not.

I have a friend who claims that he has analyzed cranberries and found out that they have a larger percentage of a certain acid than the laws of a certain western state permit. I am now speaking of cranberries in the raw state. In other words, the Lord God Almighty has violated the pure food law of that western state. (Laughter) I do not know whether the very capable and efficient attorney general of that state is going to prosecute God for violating the pure food law. It might be quite difficult to enforce a prison sentence. We should be sane and well-balanced in our efforts to regulate. (Applause)

Of course, errors will be made, and when they are made the quicker we stop the opportunity for their recurring the better it is for everybody concerned. There is absolutely no disagreement amongst us on that proposition. But I am not here dealing with details. Mistakes are made in every line of endeavor. I venture the very bold and presumptuous assertion that even you perhaps once or twice in your entire life have made a mistake.

What has regulation accomplished? It can be summarized briefly under a few heads. I fully appreciate what a tremendously stupendous and nery task I suggest, to attempt to summarize in a few minutes the achievements of a quarter of a century of regulation; but let us look over the ground and just view the high spots for a few moments.

First, rebates have been largely eliminated.

Second, the pass system has been so thoroughly placed under our control that its abuse has been largely abolished.

Third, discriminations between shippers at the same point of origin have been practically eliminated. There are some few important exceptions, but the principal part of that task has been completed.

Fourth, discriminations between localities have been removed to some extent. We have only commenced that task, but substantial steps have been completed. Rome was not built in a day.

Fifth, so far as safety is concerned, the public and the employes are in better condition today than when regulation commenced. But it is only just to state that most of the credit for that work should be given to the railway companies rather than to the public. We have helped some in

regard to safety appliances, hours of labor. We have not helped much as to the institution of block signals or steel cars. I would have placed safety first had it not been that public regulation has not made as large a contribution to that subject as it has upon these others which I have just reviewed and probably not as much as it should have done in the past. I am not touching the present controversy about hours of labor. I am not entering into that discussion to any extent. I have some other discussions that I am trying to cover.

Sixth, as to service, we have not accomplished very much as to service, the regulatory bodies of the country, not as much as we should have accomplished. Greater power should be given to the Interstate Commerce commission over the interchange of cars between carriers, over the requirements as to roadbed.

While we have not accomplished so much along that line there is some reason for it. A company is willing to give you practically anything that you desire that it makes, providing you are willing to pay for it. When I go into a store I can have the finest cloth in that store if I am willing to pay for it. There is no conflict between the man that sells and the man that buys on that issue. The issue comes in how much are you willing to pay. It is natural that the question of rates should be the subject of the keenest contests. Railroads are built to make money and they make their money out of the rates which they charge. There is nothing dishonest about it. The railroad wants to have as much as it can get for the service which it has to sell providing it does not seriously interfere with general business activity and growth. On the other hand, it is to the interests of the purchasers of transportation to secure that service at as reasonable and low a charge as is consistent with the fair and reasonable growth and development of the railway companies. On many matters our interests are in common but upon this issue of the rates which shall be charged, the interests of the public as a whole and the interests of the railroads as a whole are diametrically opposed. There is no use of trying to cover up that situation with a lot of honeyed phrases about love and friendship and co-operation. It is true, it is the same old situation of buyer and seller that exists in every line of industry in the country.

The man that sells the cabbages or the potatoes at the corner grocery store wants as much as he can get for what he sells and the buyer wants to get it as low as he can without serious injury to either party. There is nothing dishonest or objectionable about that strife. I am in the same fix. I have something to sell and I want to get just as much for it as I can, and so do you. The issue comes, gentlemen, on how much is reasonable and fair. Now, let us consider that question.

What has regulation done to the railroads? I have before me tables covering the official reports as to the total mileage, total capitalization, total gross earnings, total expenses, total net earnings, total capitalization, total dividends, from the organization of the Interstate Commerce Commission down to the present date. Now, in one or a few sentences, what does that record show?

Without attempting to go through the details—they are available to anyone who desires to look at them after I am through—we find that expenses have increased enormously during the past twenty-seven years, from 1888 to 1914. But what about the other side of the story? Earnings have also increased enormously. I find that railroads have increased their single track mileage since 1888 almost 100 per cent. I think it is 87 per cent, to be accurate. Just think of this vast transcontinental system, covering this continent, it has increased almost 90 per cent. since 1888. We have had railroads for eighty-six or seven years. I find the capitalization of American railroads during these twenty-seven years has increased 127 per cent; while the dividends in dollars and cents have increased ap-

proximately 463 per cent. The mileage has almost doubled; the capitalization has more than doubled and the total dividends in dollars and cents has more than tripled.

Up to 1899 there was competition in this country in the railroad world in regard to the rates which they should charge, which competition was very keen. At that time the Interstate Commerce Commission made its reports, vast consolidations in the railroad world were being made. You will find that in the report to Congress in 1899 in which they urged that some measure should be taken to control the situation. Rates declined from 1888 to 1899 something like 27 per cent. or 28 per cent. During that entire period there was no large reduction in rates ordered by the Interstate Commerce Commission throughout any substantial part of the nation. Finally the supreme court said they had no power to reduce rates. I challenge any man in the room to cite one example of a large reduction affecting railway revenue or an example where the commission prevented an increase in rates during that period. Since 1899 there have been reductions in rates, but there have been advances and today the average freight revenue for every ton hauled a mile is a little higher than it was in 1899, while the net revenues of American railroads last year were something like \$500,000,000 greater than 1899.

In 1888 railroads were making about two per cent on their capital stock as a whole and yet people said that the railroad rates were exorbitant. Because they thought two per cent was too high? No. You know the reason why that two per cent existed. I do not need to state it. Today, the railroads are making almost double, are declaring dividends as a whole almost double what they did when regulation commenced, in proportion to their capital stock. I am speaking of railroads as a whole, and there is not a man in this room that dares question the accuracy of one of those figures. I will make him a present of a brand new suit of clothes with a check for a thousand dollars inside of it if he can prove an error in that statement. I don't know whether he will cash the check or not. (Laughter)

I will be perfectly willing to set down with you and examine the official reports of the commission and you will be persuaded that I am absolutely correct.

You remember in 1913 there was a great advance rate case on, involving fifty millions of dollars annually. If you had a case in your court involving a hundred thousand dollars or a million dollars, you would think that it was some case. If it were a million dollars it would be subjected to much comment in your city and perhaps in your entire state. Here was a case, not involving a million dollars, but fifty millions of dollars; not fifty millions of dollars in one bunch, but fifty millions of dollars every year, or five per cent. interest on one thousand millions of dollars. Never before or since the dawn of civilization has there ever been a contest between private parties before a human tribunal involving such a large sum of money as that, with one exception, and that was in 1910, when a similar case was before the commission.

I have before me an exhibit in that case. It was introduced by the railroads. I didn't prepare it. That is a consolidated statement covering all the railroads in official territory. That paper shows that all the railroads as a whole, big and little, that were in that case, and there were only a very few insignificant companies that did not get into the case, I presume the mileage represented on that sheet is probably ninety-eight per cent. of the mileage in official classification territory, and it shows that these railroads as a whole, during that year, the last year, 1913, were able to pay all of their operating expenses, all of their taxes, all of their interests on bonds and debt and had enough left over to equal more

than eight per cent on all of their capital stock outstanding, rich and poor, altogether, in one sum.

Reference is frequently made to property invested. What about the return on the cost of the property, we are told. What does property investment mean, gentlemen? Property investment is their book cost, their book value. In past years as capitalization was raised, say, a hundred million dollars, property investment was raised a hundred million dollars. It wavered up and down until within recent years, largely within the control of the company, in order to make it correspond to their capitalization. The figure is very unreliable. For instance, the property investment of the Erie railroad is greater per mile of line than their capitalization. Now, is there anybody here that thinks that kind of property investment, that would give a larger value or cost per mile of line than the capitalization of the famous Erie railroad, is worthy of very much confidence? Why, the property investment of the Erie is greater per mile of line than the Pennsylvania Railroad system, greater than that of the New York Central railroad. The figure is so unreliable that the Interstate Commerce Commission in its annual report to Congress, in a recent year, stated that no court or commission, or accountant, of any standing, would suggest that this book cost and property represented, suggested even in the slightest degree a fair statement of the original cost or the present value of our railroads.

I had about twenty minutes this morning, before I came over here, to look over Mr. Thom's address of yesterday. I find this statement: "At this present moment there is such a scarcity of railroad equipment and other facilities, that commercial interests have risen in arms and the Interstate Commerce Commission has found it necessary to conduct an exhaustive investigation to find a way of supplying with cars the commercial needs of this country. Have we failed to take note of the fact that in the last year there has been a smaller railroad construction than in any year, leaving out the civil war period, since 1848, and that in the last year there have been less than one thousand miles of new railroad constructed in the United States? In a field which has heretofore been an inviting field of private enterprise we find that railroad construction into new territory has been practically arrested."

I have great admiration for Mr. Thom, a man of eminent ability, an honest man, no doubt. I have no desire to utter a word of disparagement of his ability or his integrity. But let us see if there are not some facts to be taken into consideration, when you consider that fact, very carefully, gentlemen, that last year a less amount of construction of railroads in the west, purchase of cars, than any year since 1848. A striking condition. Whose fault? Was it inadequate revenues? Last year the American railways, according to the preliminary report of the Interstate Commerce Commission, made net above all expenses and taxes, net, the tidy sum of \$300,000,000 more than in 1914. They made net during the last fiscal year, that of 1916, for which the report was compiled, they made net more than \$200,000,000 in excess of any other year in the entire history of American railroading. (Applause) There is not a man in this room that dare challenge that. If so, I wish he would stand up. (Applause)

Whose fault was it that we did not have more cars purchased and more railroads constructed? In all fairness to the shippers and the consumers and producers of America, I ask Mr. Thom to answer that question.

A few years ago I had Mr. Rey, the President of the Pennsylvania Railroad System, on the stand on cross-examination. In pitiful terms he and others described the ruin of credit of the American railroads. I asked him what was a good estimate, really. I won't attempt to repeat his testimony entirely, but he knows and you know that the best test of credit

is the rate at which you can borrow money; isn't it? That tells whether your credit is good. If I can borrow money at 5½ or 6 per cent. and you have to pay 8, I have got a better credit than you have. I asked Mr. Rey the rate at which he had been compelled to borrow money during the past year, or during the past five years, and I challenged him to name any other company or any other line of business in this whole nation that had been able to borrow money at a cheaper rate than he and his company had been able to borrow it, and he was unable to name one such company. He said, "I suppose you want to ask if our credit is not about at the top?" I said, "Yes, sir. That is just what I was about to ask" and he said "If you want my opinion I will say that it is." The Pennsylvania Railroad handles something like 27 per cent. of the business between the Atlantic coast and the Mississippi river in the official territory. I asked the bond expert, a leading witness that was put on the stand, if the railroads in the past were not able to borrow money at as good a figure as any other line of business, and he said they were. I can give you the exact language, the page of the transcript, to any person that desires to know.

In 1914 the commission was inclined to hold the 1914 revenues inadequate. In 1915 the western advance rate case came for hearing, and in that case the evidence showed conclusively that the railroads were compelled to pay more, a higher rate than they had ten or fifteen years ago. Now, under the rule I stated a while ago, does that prove that their credit has declined? There is no question but what that is a fact. It must be concluded that their credit has declined. Let's see. Suppose that the increase in the supply of corn or the failure of a certain line or department, or something even world wide in extent had so affected the general financial situation throughout the entire world that the interest rate that company had to pay in all lines of industry had gradually risen. There is another factor to be considered than the rate which a given company has to pay, which is what other companies have to pay. It is the relation between your rate and the pure money rate. We searched every financial work for some analysis of this pure money rate over some period of years. We were unable to find such an analysis. We then started to investigate the subject on our own responsibility, according to our own facilities and means. In the preparation of an exhibit on that one proposition something like twelve thousand dollars was spent by our association and commission. Visits were made to New York and Chicago. An expert accountant was put on the task and his exhibit showed the following:

Government bonds, as you know, are probably the closest to the pure money rate that we have, but it will be immediately agreed that the rate at which governments are able to borrow money, the United States Government especially, and the European governments, prior to the war, was slightly below the pure money rate, because of certain privileges, deposit privileges that are attached to the bonds. Therefore, they can borrow money slightly below the pure money rate. On the other hand, the bonds of large cities, Philadelphia, New York, Chicago and so forth, these cities are able to borrow money at slightly above the pure money rate, because there is some element of hazard. We then took the market prices on government bonds, of government bonds of the four greatest nations on earth, of United States, England, France and Germany, since 1900. We found the trend of the prices on those bonds, the interest rate at which they sold, or, in other words, it was called the yield on government bond investments. We then took all the quotations on all of the bonds of the twenty-five largest cities in the United States and found the trend of that yield. Now, one line represented something slightly above the pure money rate and the other line represented something that was slightly below the pure money rate. It was our proposition that the pure money rate lie between those two lines; and we drew a medium line. The exhibit,

the accuracy of the deduction, was not questioned by either the carriers or the commission. It showed that the increase in the yield, the rate of increase in the yield on the pure money rate, the rate estimated, also the yield on government bonds, also the increase in the yield of the bonds of the twenty-five largest cities in the United States, had been greater than the increase in the rate at which railroad bonds sold during the same period. In other words, compared to the general financial situation, railway credit as a whole had improved. And in that case the commission refrained from finding revenues as inadequate, refrained from finding railroad credit had been ruined.

I know there are facts on the other sides of those questions that I have named. I don't want to be put in the position of judging the matter. I have stated to you some of the facts on the other side of these issues because I know that you are hearing plenty of them on that side. There are always, almost always two sides to these great questions; and I urge upon your minds the unwisdom of passing resolutions off-hand after you have given half-baked consideration to the purport of these resolutions. (Applause).

There are two sides to these questions, and when your resolutions come up I hope there are some men that will have the courage and ability to stand up here and champion the proposition of remaining neutral until these other bodies that are appointed to weigh and consider shall reach their conclusions. (Applause).

I said there were two sides. Mr. Lee, gentlemen, has been very kind to me. A few years ago I was trying a case in Chicago. Mr. — — —, I won't mention his name. I hate to deal in personalities. Suffice it to say, that he is the traffic manager for one of the greatest railroad systems in the west. He introduced an exhibit in which he attempted to show that the freight rates on live stock from Wisconsin to Chicago were higher than those from Iowa to Chicago. I was trying to get the rates from Iowa to Chicago reduced. That was not a very good showing for me, and I was simply a little country lawyer from out in Iowa. I asked Mr. Blank to give me a copy of his tariffs from which I could check his exhibit. He said they didn't have any extra copies on hand of that particular tariff. Mr. Belleville, you have heard of it occasionally; haven't you?

Mr. J. M. Belleville: Yes sir.

Mr. Clifford Thorne: I asked the Interstate Commerce Commission if they would not send a copy. They said they didn't have any extra copy on hand. I asked if they wouldn't write for that copy and send it to me. I wasn't used to the situation then, and they said they were too busy to do that, and in fact Mr. Blank would not perjure himself. He was certainly telling the truth, and the exhibit was there, I could see with my own eyes—words to that effect—probably not quite so strong as that. Finally, however, through a friend of mine in Chicago, I got a copy of those tariffs sent to me in my home town. I found that this distinguished traffic expert had been kind enough to only use eighty-three towns in Wisconsin, leaving out over two hundred. He had used all of the towns in Iowa. He had selected the rates from that part of the state which proved his point, up in the northern part of Wisconsin, where those eighty-three towns were located, up where they wouldn't recognize a cow if they saw one coming down the path. (Laughter.) Up there they don't raise hogs to ship. They only average a quarter of a hog to a quarter of a section, and they don't ship him; they eat him. I found that when you used all of the towns in the territory from which live stock is shipped that you proved directly the opposite from what that gentleman testified to. Later his counsel, in oral argument, apologized for that. He said the reason was the clerk had misunderstood the instructions that had been given to him. (Laughter). I am very sorry for that

clerk. I don't question it at all. He also testified to the fact that Minnesota rates on live stock were lower than Iowa-Chicago rates, Minnesota rates to St. Paul. I checked that up. I found that he only used ten per cent. of the towns in Minnesota, leaving out ninety per cent. The same gentleman under oath testified, before this young, poor country lawyer as the opposing counsel, that the freight rates on cattle in Illinois had been reduced in 1906 to conform to eastern rates on cattle.

Now, Thorne was trying to get those eastern rates on cattle applied from Iowa to Chicago. I asked him how he knew the Illinois rates on cattle were reduced in 1906. "Why," he said, "I took part in the proceedings, Mr. Thorne." A gentleman under oath, of wide experience and unquestioned character. Later I secured the certified statement from the Illinois Railroad and Warehouse Commission to the effect that there had not been a reduction in cattle rates in Illinois for a quarter of a century, and the Interstate Commerce Commission specifically sustained my position on that proposition in their inquiry.

Now, that poor clerk, I am sorry for him for misunderstanding those instructions. The only thing that I am sorry for from my standpoint is that all these mistakes had been in one line, one way, one direction. I only wish he could have made a few mistakes my way in the compilation of those exhibits.

I say there are two sides to this question. I have in front of me that exhibit again. Gentlemen, that shows that for the five years ending with 1912, the average rate on all outstanding capital stock, net corporate income on the capital stock is 7.85. For the preceding five years it was 8.80 and for 1913 it was 8.07. Now, that would indicate that the average rate during the last five years was less than during the preceding five years. Next: It indicates that the average rate in 1913 was less than those first five years. That indicates a downward tendency, doesn't it? Anybody can see that. It was so testified to by the companies.

I don't know whether your friend caught those figures or not. Those first five years were from 1903 to 1907. The next five years were from 1908 to 1912, inclusive. In other words, the man that compiled figures left out 1913 from either side. You know, when I saw that I fell into meditateness: Now why, did that account start with 1903 and stop with 1912? Why didn't he use the next two periods commencing with 1904 and ending with 1913? My curiosity was aroused. That was all. You know the old saying, it is an old chestnut, about how figures never lie—but liars figure.

Now, this chart I recompiled and I took his same figures without the alteration of a numeral. I commenced with 1904 to 1908 inclusive and 1909 to 1913 inclusive, and it showed precisely the opposite. It showed a higher rate in the last five years than during the preceding five years; and it showed a higher rate in 1913 than in either five year period.

Again, I challenge any man to question the accuracy of that statement. The sheet is here. Anybody can see it and you can check it up. You will find that I am telling you the truth and nobody dare to deny it.

Folks, I said there are two sides to these questions. Mr. Trumbull will present to you the other side. I do not know that he can present it ably and forcibly. The only little I want left lingering in your mind is this: Perhaps there is another side to that. Perhaps that I ought to consider when Mr. Trumbull gets through, before I make up my own mind.

Today there are three great movements in the railroad world.

The first relates to the making of a uniform classification of freight throughout the United States. The railroads of the country have united and they have divided the country into three great districts, i. e.,

the Official Classification territory, Southern Classification territory and Western Classification territory. This results in confusion in the discrimination of packages, in rules and regulations and in ratings, a confusion with which you as shippers are thoroughly conversant. The railroads appreciate that fact and so does the Interstate Commerce Commission and so do the state commissions. The changing of the little letter "I" opposite an article in one of those classifications covering eight thousand items automatically increases, as you know, the rates that must be paid by twenty to thirty millions of people on that article, increases the rates immediately when it becomes effective, by one hundred per cent. eight thousand items in that classification.

Nine men have been appointed to reframe the classifications of the country. I claim that that is a task of the size and magnitude that it is a governmental function, and the men who perform that task should not be in the employ of either the railroads or of the shippers. The National Association of Railway Commissioners for a dozen years has unanimously recommended that the Interstate Commerce Commission should undertake that task. (Applause). I don't care whether Mr. Fyfe, or these other men that are at present working on it would continue on the committee or not. I have confidence in their ability and their integrity enough to know that when they are working for the railroads they are going to try to boost the rates, and when they are working for the people, for the government instead of the shippers or the railroads, they might be more fair in their conclusions, providing their job was good enough, the salary was large enough, and the probable tenure of office was safe enough that they would not continually be working with their hands behind their backs, waiting for a job from the railroads. (Applause).

The second great movement now on in the railroad world relates to the appraisal, the valuation of our railroads. The magnitude of some of the issues in that case is almost too great for the brain to grasp them. The celebrated Gould printing press incident only involved \$23,000,000. Just consider one item at issue in this national appraisal.

The Massachusetts commission held that a railroad was entitled to but two per cent. for contingencies. The Michigan commission held that a railroad is entitled to about ten per cent. for contingencies. There is a variation of about eight per cent. in that one item. The railroads claim the value of American railroads is from \$15,000,000,000 to \$20,000,000,000. A variation of 82 per cent. on \$15,000,000,000 amounts to over one thousand million dollars, involved in that one little issue which is to be determined by seven men living over here in Washington.

A few months ago a case was closed out here in Los Angeles, involving the appraisal of an electric plant that was purchased by the city of Los Angeles. The experts in the employ of the company under oath, on the witness stand, testified to a value of that electric plant amounting to \$22,000,000, while the experts in the employ of the city of Los Angeles, experts gathered from all portions of the country, men of eminent ability, testified to a value of that property of less than \$4,000,000.

In other words, gentlemen, in that one case there is a variation of more than 500 per cent. in the valuation of the same property, for the same purpose, before the same tribunal, at the same time.

Now, contemplate, if you can, the possibilities of this national appraisal of American railroads.

But how are you looking after your interests? The Interstate Commerce Commission is to decide the issue. They have organized a committee of nine men of the most distinguished lawyers in our country. They have several hundred experts working under their direction constantly. Whenever a little group of employees of the commission goes out

to inspect the condition of so many cars or so many rails or the roadbed, in order to determine the facts that shall be reported to the commission, a railroad employe goes along with that little group of men. You have constantly, on one side a representative of their interests; and who is representing your side of the controversy?

The commission is to decide the issue. There is not a judge in the land but what hates to decide a case upon an ex parte showing. If you have a case in court involving \$100,000 and the other side is represented constantly, will you sit calmly at home doing nothing? No; if you have got one grain of sense, if you are not bothered with a lot of asinine stupidity, you will follow every stage, every step in that contest, every stage in the proceedings.

To show you how it works practically: You have confidence in the Supreme Court of the United States, haven't you? And yet if there is a case before the Supreme Court of the United States, a corporation has violated the law, that corporation has its representative there championing its case, and the government has its representative on the other side, and the Supreme Court decides the issue. Are you looking after your interests?

Here is a table of the unit values of the different articles going into the making of railroads: The price of rails and ties and cars and engines. It is placed before the representatives of the railroads to check those unit values. Those railroad representatives will be apt to push up the values when they are too low. Is there anybody on the other side to push them down?

The point is that both sides should have an advocate. The National Association of Railway Commissioners have employed one attorney and one stenographer to represent a hundred million people on the other side of the case, in a case involving fifteen to twenty billion dollars' worth of property. It seems to me that it is up to the shippers to consolidate their interests in some efficient manner to see that they are properly guarded.

Now, there is just one other great railroad movement to which I desire to call your attention, one other great movement in the railroad world, and then I am through with that proposition.

The Newlands committee, a joint committee of both House and Senate, has undertaken an appraisal of our present methods of regulation. They are going to go over the records to see where regulation has fallen short, to see where it can be improved. Various suggestions have been made by both parties. Where is the shipper directly concerned, in this investigation before the Newlands committee, in which they are going to appraise our present methods of regulation? The railroads are again well represented. I am most delighted with this concrete demonstration of that fact by the conference being held in this city yesterday and today. They are represented. Here is Mr. Thom, Mr. Trumbull, Mr. Muir, the representative of the Railway Investors, going about the nation, bolstering up public sentiment on their side of the issue.

Mr. Thom has spent months analyzing arguments, getting ready for the hearing. They have employed experts, gathered data, and prepared. I do not criticise that for one instant. It is eminently proper and fitting that they should do so. If I were in their shoes I would do the same thing provided I had enough brains.

The point that I am making is, how are you represented? Have you prepared data, an analysis of the situation, with your experts, etc., and ready for this great investigation?

I wish I could discuss some of those issues that are going to be threshed out before the committee, but I must not do so. I have imposed upon your patience too long. Just one or two sentences upon one proposition they propose, which is to eliminate state regulation.

There are some matters it is well for the national government to do; there are some matters it is well for the states to do. Some others are better for the county to attend to and some others for the city to attend to, and some things ought to be really left to the man himself. It might be well to have a world federation to compel peace amongst nations. But I would not like to leave it to that world federation to decide how the sewers should be laid in my home town, what kind of pants I ought to wear or when I ought to get up in the morning. There are some things that the state can do better than the nation, and some things, as I said, that the county can do better than the state.

What is the distinguishing characteristic of this American system of government? It is not a great centralized power, because there have been greater nations in the world so far as size is concerned. What is the distinguishing characteristic, the great contribution that America has made in the science of government? It is not separate states, small enough so that you can have home rule. There have been small countries where democracy has existed, Greece and Switzerland over here. What is the distinguishing feature? It is the great combination of a great body of states into one nation, combining efficient home rule with a great centralized power. And anybody that attacks that federal system of government is attacking the fundamental characteristic that distinguishes the United States government from all others that have ever existed. (Applause).

Mr. Thom has told the committee that he does not desire, and the railroads are not asking, for an advance in revenue. That is not their purpose. Let us see. There have been just eleven cases before the Interstate Commerce Commission where the state rates have conflicted with the interstate rates, the interstate rates being those established by the commission and levied by the railroads. One or two of these have been reopened. In not one instance has the Interstate Commerce Commission adopted the state rate as the standard. Every one of those cases resulted in an increase in rates. I ask you, isn't the purpose very, very plain? I am heartily in accord with their proposition that where discriminations exist between state and interstate rates of a substantial character, enough to constitute a burden on interstate commerce, there ought to be some method of ironing out the discrimination. The public will never consent to any other program.

Now, the National Association of Railway Commissioners has suggested this idea, i. e., when there is a dispute between two parties, is it well to leave it to one of the disputants to determine the matter at issue? Is that a good move? You don't follow it generally. Our suggestion is that when a state rate and a rate established by a state authority, either state legislature or state commission, conflicts with the interstate rate that it should be left to a third party, a court, to determine which is reasonable.

It has been suggested that a court cannot establish or make reasonable rates. Yes, that is true—for the future. But the courts have held that while they have no power to establish reasonable rates for the future, they do have power to pass upon the reasonableness of rates already established.

There are so many of these problems of such gigantic size and importance that I would like to talk more about them; but I hope I have driven home one point, and one point only, which is that there are two sides to these questions, and how are you being represented? How are you taking care of your interests?

It was a striking scene the other day when a railroad conductor went back to Washington, D. C., to call upon the president and the president adjourned the cabinet meeting to hear him talk. Could he in his individual capacity produce that result? No. Because he represented a large and efficiently organized body of men. He told Congress that by a

certain date they had to pass such a law. Congress did so. Could he in his individual capacity have brought about that result?

You have scores of railroad organizations of all kinds, scores of railroad companies, several hundred, I think. But they have one federation of all the companies, the American Railway Association, and when it speaks it speaks with power. There are many labor unions and organizations of laboring men, but there is a federation known as the American Federation of Labor, which speaks with power. You have the American National Live Stock Association composed of stockmen in some twenty-two western states, the National Industrial Traffic League, composed of shippers and manufacturers in many large cities. You have the American National Manufacturers Association, National Council of Grain Dealers, organizations of wool growers, organizations of chambers of commerce, live stock exchanges, retail hardware men, retail clothiers, and etc., etc. But it is my thought that there should be a federation of all.

That little incident in Washington, D. C.,—I don't want to misquote anybody—it was a striking scene. The Literary Digest is my authority for the following: Mr. Garretson said, in times of great industrial readjustment, "men go back to primal instincts. They go back to the day of the caveman, the caveman who with his half-gnawed bone, snarled at the other caveman who wanted to take his bone away." Then he added, the railroad world, "When we hit a 'cow'," he said, "specks in the sky that were vultures could soon be seen over the carcass. Now, the public is the carcass. And we are all, perhaps, the vultures," Mr. Garretson said to the committee. He said the brotherhoods were protecting the pockets of their men, that the railway companies were protecting the pockets of their stockholders, and the public was without a protector, and would pay the bill. Is that a correct quotation, or not, Mr. Lee?

Mr. W. G. Lee: I think it is; but I do not agree with it by any means. (Applause).

Mr. Thorne: Do you agree with this proposition, Mr. Lee, that it would be well if the shippers were as efficiently organized as the railroads?

Mr. W. G. Lee: Yes, sir; absolutely; they should be. It is their fault if they are not.

Mr. Thorne: There is a lesson here that is of stupendous importance to the shipping public. It needs no elaboration. I only offer the suggestion in passing through your midst.

You have an amalgamation of all the railways in the American Railway Association. You have a consolidation of labor that is composed of the American Federation of Labor. It would seem well to me that here in these gatherings of representatives of various cities, here in the great Mississippi Valley, here in the heart of industry of our country, that you should begin to lay the foundation of a consolidation of your organizations, a sort of an amalgamation that might be termed perhaps the National Federation of Shippers, and then when you speak you will speak with the weight and the power that is your due in the councils of the nation.

I thank you. (Applause).

A vote of thanks was tendered to Mr. Thorne for his address, after which Charles C. Gilbert, secretary of the Tennessee Manufacturers' Association, asked for permission to introduce a resolution regarding the location of the proposed Government nitrate plant. Chairman McKellar advised Mr. Gilbert to prepare his resolution and submit it to the committee.

The resolution as offered later was as follows:

Whereas, The congress of the United States had made an appropriation for the establishment of a nitrate plant for the manufacture of ni-

trate, and whereas this plant must be located on an inland stream affording sufficient water power development, as well as being in close proximity to the necessary natural raw material for the manufacture of nitrate, and whereas, Mussel Shoals, Alabama, on the Tennessee river, is considered by government engineers and many other eminent authorities as a suitable location:

Be it Resolved, by the Central States Conference on Rail and Water Transportation, that the president of the United States be urged to locate the government plant at Mussel Shoals.

Be it further resolved, That the secretary of this conference be instructed to forward a copy of this resolution to President Wilson.

(Action on Mr. Gilbert's resolution was not taken by the committee for the reason that no opportunity was afforded for a general discussion of the proposal in the Conference. It was reported, however, that each member of the Resolutions Committee signified hearty approval of the idea.—Editor.)

Chairman McKellar next recognized Mr. J. R. A. Hobson, of Evansville.

Mr. Chairman, I am requested by Mr. Murphy to read a letter received from Mr. William A. Rawles, Dean of the Faculty of the College of Liberal Arts, Indiana University. They have in this university a correspondence school on transportation in which are enrolled many hundred students from this state.

"December 14, 1916.

Mr. H. C. Murphy, Evansville Chamber of Commerce, Evansville, Indiana.
My Dear Mr. Murphy:

"I have received your letter of December 11th inviting me to attend the Conference on Rail and Water Transportation to be held at Evansville this week and to participate in the discussion. I regret exceedingly that it will be impossible for me to do so.

"I am much interested in the question of transportation. I think you have done a great thing in bringing together on the same platform the representatives of all elements of this difficult problem. I sincerely trust that it will be profitable to the whole middle west. Very truly yours,
Wm. A. Rawles."

After a few announcements by the chairman the conference adjourned until 2 p. m.

FRIDAY AFTERNOON SESSION.

December 15, 1916.

Chairman Murphy presided, and called the meeting to order at 2:30 p. m.

A flashlight picture of the Conference was taken.

CHAIRMAN MURPHY: Gentlemen of the Conference, and guests: We now proceed to a part of the program that should afford the most intense interest to our delegates, to our guests and to our whole people. Perhaps the chief point that will be developed in this conference is the point of view of the men who run the railroads. I do not mean the operators. I refer to the workmen. We think we have secured as the man to elaborate the point of view of these people the ablest representative of organized labor in the United States.

I have the pleasure of introducing Mr. W. G. Lee, the president of the Brotherhood of Railway Trainmen, who will talk to you upon the "Hours and Working Conditions of Railway Employes." I have the honor to present Mr. W. G. Lee. (Applause)

Hours and Working Conditions of Railway Employees.

By W. G. Lee, President of the Brotherhood of Railway Trainmen

Mr. Chairman, ladies and gentlemen: I feel highly honored in being asked to come here to talk to you on any subject and more particularly on the subject of labor. Perhaps it might not be out of place for me to say in the beginning that I am not an orator, as you will undoubtedly find out before I get through, I am just an ordinary railway man, without even the advantage of having a high school education. I was running a train as conductor before I was twenty-one years of age for the Sante Fe Railroad, out in the western country. Whatever experience I have gained has been through rubbing shoulders with men like those on this platform and in this audience. I do not know but that after twenty-two years' experience as an officer of a labor organization I cannot truthfully say that, regardless of education, if the man or men do not meet the occasion in man fashion he is a failure in whatever business he may undertake or attempt to follow. I have often regretted, of course, on being compelled to take the platform with men like our most distinguished ex-President Roosevelt and ex-President Taft and others that I had not given more of my younger days to schooling; but even then I have tried in guiding the organization of 142,000 men to go along the lines of decent methods, the square deal and making good our word in all instances as agreed to with our employer.

The Brotherhood of Locomotive Engineers was the first to blaze the way through an organized territory. A few men running engines got together away back in 1866, which resulted in the organization of the Brotherhood of Locomotive Engineers. Ten years later what is now known as the Order of Railway Conductors came into existence, a non-striking and non-protective organization until 1893. In 1873 the Brotherhood of Locomotive Firemen's organization came into existence, and ten years later, September 23, 1883, the Brotherhood of Railroad Brakemen, later changed in name to the Brotherhood of Railroad Trainmen, was organized and at this time, as I stated, has a membership of something over 142,000 men.

These four organizations have beneficiary insurance attached, paying to their membership upon death or permanent disability payments on policies ranging from five hundred to three thousand dollars, according to age and certain other conditions. All of the members are compelled to carry one of the policies if between the age of 18 and 45, and if their physical condition at the time of admission to the organization is such as to permit them to pass the necessary examination. It will suffice to say to you that to date, or as of December 1st, the organization I have the honor to represent has paid out in excess of \$34,000,000 to the widow, the orphan, and the maimed, collected dollar by dollar from men receiving a salary of from two dollars to four dollars per day. And even with that expenditure, doing so much good that I could not tell you about it except to point out perhaps in your city instances where the widow and children have been able to keep from asking for public charity, which otherwise they would have had to have done on the death of the husband and father. All over this country are living monuments of the good accomplished by these organizations in that respect.

Now, these organizations are not only insurance organizations, but they are labor organizations doing a beneficiary insurance business. The amount paid out by each of the other organizations, running into the

many, many millions of dollars, and still back of that these organizations have accumulated a treasury fund amounting in my own organization to something in excess of \$4,225,000 to protect against outstanding policies and against accidents of any kind that might overtake the organization. In making those statements, I do it for the purpose of first trying to get you to understand that we believe we are handling our organizations along business lines.

We have been criticized often by some other trade unions because we have not followed in their path, because we have deemed it advisable to conduct our own organizations in our own way; and perhaps it is not out of place for me to again say that I have often criticised labor organizations for not making good their word, their contract or their agreement, and I have often stated, and I repeat, that any organization of labor that expects to live, that expects to continue, must make good its contract with its employer, no matter what discipline it must administer to its membership to do so. (Applause)

The employer will deal more kindly with those representing labor if they are guaranteed or assured that labor will make good its word, and the employer can proceed to contract, no matter what his business may be, if he can be assured that his business will not be interrupted with a strike without notice or without due process of law. For these organizations have their own code of laws, and for the railroad organizations I insist they live up to them. So today these organizations have working agreements with practically every railroad in the United States and Canada, not a closed shop agreement.

We have never yet asked for a closed shop agreement. We hope the time will never come when we must do so, although we have no criticism of an organization or of organizations who believe it to their advantage to insist upon the closed shop condition. With us we have tried to make our organizations so good that the men of our class will affiliate with them without being compelled to ask for the discharge of a man or the displacement of a man because he does not belong to organized labor. How well we have succeeded, you can form your own conclusion, when I say to you that of our class fully eighty-five per cent. of those engaged in the transportation departments, as we know them, are organized. There are men on every railroad that work throughout their natural lifetime without becoming affiliated with the organization representing the cause. That is their business. We naturally feel that they should become affiliated with the organization, but if they don't do so, we have never yet asked for the discharge of one of those men. We have said to the railroad companies that those men must receive the same consideration, the same rates of pay, and the same working rules that our membership received. And so we think we have fairly well succeeded along these lines.

With this brief outline of our policy you will perhaps be interested to know something of this so-called Adamson law, eight-hour law. I do not believe there has ever been a law enacted that has been talked about and so maliciously talked about to any greater extent than that law, known as the eight-hour law.

These four organizations and the railroad companies in the United States have what is known as the Eastern, Western and Southern Associations. The Eastern Association assumes to deal with the territory east of the Mississippi River and north of the Ohio River. The Southern Association for the territory south of the Ohio River and east of the Mississippi River; while the Western Association deals with the railroads west of the Mississippi River, or west of the main line of the Illinois Central Railroad. In these three different territories, these organi-

zations have moved at different times for better working conditions, better rates of pay, and all that, but never before did they attempt to move in conjunction with each other. But last January, a proposition was filed with the general managers of all of the railroads in the United States asking for two things: i. e., the eight-hour basic day; time and a half for overtime.

That notice was presented to these railroads last January and later a conference was held with the National Conference Committee. Perhaps I should explain to you just what that means. There is a committee known as the National Conference Committee, of which Mr. Elisha Lee is chairman. It consists of eighteen members, vice-presidents or general managers of railroads, authorized to speak for approximately all of the principal railroads in the United States. So when our request was forwarded to the general managers of the different railroads it naturally found its way to this conference committee, and when we later met the conference committee to discuss those propositions, all of which is made a matter of record, is published, a stenographic report kept at that time, they refused our proposition, as we expected they would. Because, right here I might say to you, that we have not found it the custom of railroad companies to hand out anything, nor do I believe it is of employes generally, unless they can see something coming back to fully repay them or more.

So when this request was declined we submitted to our membership in circular form, and asked them to read and at the bottom subscribe their names, and to what? "I have read the foregoing statement and hereby cast my vote for or against the strike, unless a satisfactory settlement of the questions at issue can otherwise be made. Full authority is hereby given to our general committeemen and officers in charge to speak for and represent us." Power of attorney, in fact, was given in that ballot. So, when the ballot was canvassed on the first day of August, all of this time having elapsed from January 1st to August 1st, we found that approximately ninety-six per cent. of the nearly four hundred thousand men of our several callings had voted in favor of leaving the service unless a satisfactory settlement could be made.

Now, what did a satisfactory settlement mean? Any settlement that the committeemen and four grand lodge officers in charge should feel like accepting.

Well, when we met the conference committee on August 1st and outlined to them the evidence they still refused to grant our request, and asked us, "Will you join with us in appealing to the Board of Mediation and Conciliation to handle this matter?" We said to them, "No. Under the federal act you can appeal or apply to that board just as we could do it." Then they said to us, "Will you leave this entire matter to arbitration?" "No, no; not as you suggested it." "Why?" "We will tell you why. When we filed our proposition it was for practically every railroad in the United States. When this conference committee of yours answered us it excluded from the list all railways which you were willing to have speak for themselves. Something like seventy-five railroads; you excluded from that list all of the colored brakemen, firemen, switchmen and others all through the south who are doing exactly the same that the brakemen or the firemen or the hostlers or switchmen of the north are doing. You promised to speak for these men. You told us they could not join our organizations and, therefore, you promised to speak for them, although we always held that we were legislating for the class, for the job, and not for the man, that it makes no difference to us whether he was white or black, whether he was Catholic or Protestant, or what not, we believe that if he were doing the same work our men were doing, that he was entitled to the same consideration. And if your proposition is to lead to arbitrating this question, excluding those seventy-five railroads, excluding those classes, then we will not arbitrate the question." (Applause)

And let me say to you right here, our four organizations are pledged to arbitration. Convention after convention has passed resolutions pledging us to arbitration; but, gentlemen, that does not mean arbitration under any and all conditions. It means arbitration with honor. There is not one of you in this house that will agree to arbitrate a controversy that you might have with someone and let the someone solely dictate the terms of arbitration, not one of you. (Applause.)

The railroad companies proposed that we arbitrate the eight-hour day, the question of time and a half; for what? For the railroads that they wanted it arbitrated for, excluding all the others, for the employes that they wanted it arbitrated for, excluding all the others; and we would not agree to it; we never will agree to it, while we have organizations. But we are pledged to arbitration. That means both parties to the controversy can dictate, that they shall have equal rights as to what the terms of arbitration shall be.

Let me ask you if our government in your opinion would arbitrate with Mexico today and let Mexico dictate the terms of arbitration? No. We would probably find in that agreement to arbitrate the question of who in the future should own Texas, because Texas for many years belonged to Mexico. Do you think our government would bow humbly to that and agree? Not quite.

There is not one of you that would arbitrate the question of whether or not you shall be permitted to live in the home that you bought and paid for. And why do I say that? Because, gentlemen, on 65,700 miles of railroad in the United States and Canada today, and for several years back, we have, and have had, the eight-hour basic day in through freight service. Through freight service is the class of service that handles our large percentage of tonnage, the largest percentage of tonnage of all business in the country, as every one of you shippers know.

What does the eight-hour basic day mean? Our schedules today are all written in this language, speaking now of the Eastern territory only: "100 miles or less, 10 hours or less, shall constitute a day." That is the wording in every one of the schedules in freight service. Now, get that again: "100 miles or less, 10 hours or less," shall constitute a day. Let us digest that just for a moment.

If a freight crew is called—and by the way, all of these freight men are piece-workers—all through freight workers are piece-workers. They are only paid when they are called and sent out, and they may not be called for a day or a week. If not, they will not receive a penny. They are paid by the mile and paid when they are called and make a trip, but they are guaranteed a minimum day's pay when they are called to go out.

Now, let's see what that means, 100 miles or less, 10 hours or less. That means this, that if a crew is called to leave Evansville today in through freight service and makes the division of one hundred miles in three hours or four hours or five hours, any member of that crew has given to the company ten hours' service equivalent, because he has gone 100 miles. Now, 100 miles, or ten hours, in this territory is one and the same in every schedule in effect, recognized by the railroad companies for years, recognized by us. So that if in making that one hundred miles that crew is the full ten hours in making it, it gets exactly the same amount of money as though they had been able to go over that division in three hours or four hours. With the tonnage of today, I think the records that will later be filed by this special committee of Mr. Goethals, will prove conclusively that the men are today working practically on an hourly basis rather than a mileage basis, because the tonnage on these trains is such as to keep them, generally speaking, less than ten miles per hour.

Now, if that is understood by you, then in this eastern territory in freight service we have an eight-hour day now, and have had it since 1913,

when it was changed from a monthly basis or a trip basis to the mileage basis, just as we had it in the west for ten, fifteen or twenty years. Therefore, don't lose sight of this. Our request was the basic hours a day which meant 100 miles or less, eight hours or less, shall constitute a day.

You have probably seen in the press repeatedly criticism of these organizations because we ask for an eight-hour day. You have been told by some that the Adamson law was not an eight-hour day law, while others have told you that it was. I don't know what it is. If I did I would have the supreme court beaten, because it is up to the supreme court to tell us by the twenty-second of January. I don't know what it is. But regardless of that fact, before I get through I want to tell you who is responsible for that law, I want to tell you who took the president by the neck, I want to tell you who took Congress by the neck and made them say "Uncle!" as these papers would have you believe our organizations were the ones who did it, the Big Four. I want you to judge who did it and I want you to judge from what I say before I get through.

We know that the companies could have established the eight-hour basic day, which would have meant that if the division were one hundred miles long overtime would start after eight hours, regardless of how many hours it would take that crew to make that run over that hundred miles in through freight service. If they made that run over that hundred miles in through freight service in four hours they would get paid for it. But what do they get paid? A brakeman's rate today in this entire Eastern territory is \$2.67 for ten hours, \$2.67 for one hundred miles. Get those figures properly. I want to show you later some of these millionaire brakemen that have been reported through the press and that you have been told about. Please get out your pencil and paper and at the rate of \$2.67 for ten hours, \$2.67 for one hundred miles, how long it would take and how many miles he would have to cover for that brakeman to get to be a millionaire. Figure out how long it would take that brakeman in through freight service east of the Mississippi to earn that amount of money, with that brakeman earning \$2.67 for a hundred miles or ten hours. If he is over ten hours, overtime commences at the expiration of ten hours and he gets what? He gets one-tenth of \$2.67 per hour for every hour overtime.

Let us suppose that the run is 125 miles long. Then what did our proposition mean? It meant inserting in our schedules where "ten hours" appear, "eight hours." It meant changing in our schedules where "ten miles per hour" to "twelve and a half miles per hour." That is all it meant; that is all it meant, and nothing more, in freight service, the easiest thing in the world, and every operating officer knows it, so far as working it out in our schedules is concerned. But they immediately commenced to tell you that it would cost \$100,000,000 to do this. One contract paid for by these railroad companies—and if the gentleman wants to dispute it I will undertake to furnish the proof—one contract made to one advertising company alone was for three-quarters of a million dollars, to tell you and others that it would cost \$100,000,000 to grant this request of ours. They paid for that information and sent it out over the country, believing this question would go to arbitration and that you and everybody else who had read it would be prejudiced against us. It was packing the jury pure and simple and that is all it was.

What do you do today when you call a juror before you? If he has been reading the papers in regard to this murder or crime for which somebody is about to be tried, you immediately assume that he has formed an opinion and he is cast aside. But when you spend millions of dollars to prejudice the public against a certain condition as these railroad companies did do through their publicity departments, and then expect us to go to arbitration with a prejudiced jury, have we received a square deal? Not quite.

And so I am glad of the opportunity to not only come here, but to go to the far corners of the earth to tell this story of what happened. I am only sorry that on this platform does not sit one or a dozen of the gentlemen on the other side who went through the negotiations from start to finish. I do not think that one of them would contradict what I say in regard to these matters insofar as the negotiations are concerned, because we saw them exactly alike.

We were the ones, of course, who held up the President and Congress. We were the ones that held the stop-watch on these people. I was rather sorry to hear my good friend who spoke last before luncheon, speak as if he were under the impression that we were all-powerful and that we told Congress to do so and so by a certain time and they did it.

Let me tell you the story a little differently from that. When they asked us to arbitrate or leave the question to mediation and we declined, the railroad companies, through their conference committee, appealed to the government at Washington for the good offices of the mediation and conciliation board, and the next day, and for five days following, Judge Chambers, Judge Knapp and Mr. Hanger, who constitute that board, worked with us and with the railroad committee, trying to get us together. It was like the eleven jurors as against the one. The railroad companies would not concede a thing nor make any proposition whatever and we would not concede any one of the two propositions we had. Therefore, the Board of Mediation and Conciliation were absolutely at sea, and so at the expiration of the fifth day they came before us, and remember when I said "us," I mean 640 committeemen from your railroads in this city, the ones that enter this city, and every other railroad of note in the United States that were with us in Washington and in New York. The Board of Mediation and Conciliation came before us and said, "Gentlemen, we are sorry to advise you that there is no possibility of a settlement. The railroad companies will make no concession and you gentlemen will make no concession, and so we have completed our services. But, before leaving you, let us give you this notice." And we were handed a communication of which this is an exact copy, and the railroad companies through their committee were handed the same communication, so we were told by the Board. This is dated August 13th, 1916. "I have learned with surprise and keen disappointment that an agreement concerning the settlement of the matters in controversy between the railroads and their employes has proven impossible. A general strike on the railroads would at any time have a most far-reaching and injurious effect upon the country. At this time the effect might be disastrous. I feel that I have a right, therefore, to request, and I do hereby request, as the head of the nation, that before any final decision is arrived at, that I may have a personal conference with you here. I shall hold myself ready to meet you at any time you may be able to reach Washington. Sincerely yours, Woodrow Wilson."

Remember, that was the 13th day of August, and we had been negotiating from the first day of January, and you hadn't heard much, if anything, about this except through the paid editorials and advertisements that had gone out. You had been told, of course, what we were asking for and what it would cost. What could we, as citizens, do but answer the request of the chief executive of this nation with our presence? So that night a sub-committee of thirty of our chairmen and four chief executives went to Washington from New York. On the same train some of the conference committee, who had received the same notice, went to Washington.

The next day at three o'clock, we met the President. He asked us many questions and we told him our story, just what we were asking for, just why we knew it could be done, and we said to him, "Mr. President, we know that this can be done, and we know because we have paid

statisticians of high standing to tell us what it means, that it would cost less than fifty millions of dollars to give us our request in its entirety. We know that the question of overtime is curtailable. We don't know to what extent, but we do know that it is largely a question of operation, and that these trains can be gotten over the road on a twelve and a half mile speed basis, because in this Southern territory, on 65,700 miles of these roads they have been operating on a twelve and one-half mile speed basis, as it is in our agreement, for years. And of all of those roads, only three are in the hands of the receivers, and the three total a mileage of less than 1,000 miles, while under the ten-hour day, or ten miles an hour schedule, we find roads like the Rock Island of 8,000 miles, the Missouri Pacific, the Iron Mountain, the Frisco and many big systems in the hands of receivers. They have what is called the ten-hour day. They are on the ten-mile an hour basis. Therefore, that should be proof enough to anyone that these railroads can operate on an eight-hour basic day if they want to do so and without putting them in the hands of the receivers, because here is the proof."

The President heard our statement. He called the conference committee before him and for three days, or about that, the negotiations continued. At the expiration of that time the President handed to us a statement and told us that the same kind of a statement had been handed to the National Conference Committee that same day. The National Conference Committee have corroborated that statement verbally to me and others since that time.

When we outlined our proposition to the President he said to us at the expiration of the third day, "Gentlemen, I agree with your request for the eight-hour basic day. I think it is right. And I am forming that conclusion, not hurriedly, but because this government of ours has for many, many years recognized the eight-hour work day for all of its employes, because thirty of the states of this union recognize the eight-hour work day for their employes, because, in addition to that, a million and a half and over workmen are enjoying the eight-hour day under contracts peacefully negotiated with their employers, and I think it is too late for us now to say that the eight-hour day can't go into effect or is a question of arbitration."

We had told the President why we would not arbitrate the eight-hour day. We said to him, "Mr. President, they made no proposition to us to arbitrate for all of the railroads, but they excluded railroads where they thought they could whip us. They arbitrated, or were willing to arbitrate on railroads, where it was a question as to who held the whiphand. That is the position. Now, if we are going to arbitrate, we are going to arbitrate for all of these men and roads or none, and we had no opportunity to answer the question of arbitration in that way."

He said further, "Your request for time and a half and the company request for some matters that they had suggested should be investigated, and so I would only support you in your request for the eight-hour basic day, leaving all other questions to negotiations, to be settled later."

At that time the President handed to us this little typewritten memorandum and the same was handed to the railroad companies. He handled that meeting very satisfactorily. He would call the conference committee and then send them back and then he would call the employes and then send us back and for some days and nights he was pretty busy. His proposition was this:

"First. Concession of the eight-hour day .

"Postponement of the other demands as to payment for overtime and the counter-suggestion of the railway managers until experience actually discloses the consequence of the eight-hour day.

"In the meantime the constitution, by authority of Congress, of a commission or body of men, appointed by the President, to investigate and report upon its consequences without recommendation.

"Then such action upon the acts as to the parties to the present controversy may seem best."

That is the proposition that was handed to us and handed to the other side. We took that to our committee room and for twenty-four hours our six hundred men discussed it and then they came to a secret ye and nay vote, every man writing his vote and signing his name to it, so that every man could vote as he pleased. The result was that one organization voted not to accept the President's suggestion. Three organizations, by majority vote, voted to accept the President's proposition. I mention that merely to show that our men were not a unit in accepting the President's proposition and suggestion. Why? Because they realized they waived more than fifty per cent. of their demands. They waived entirely the question of time and a half for overtime.

They wanted shorter working days. They were being tied up over the hours every day over the country in various places and they wanted to stop that if they could, and they knew, and I know and you, if you are familiar with it, know, that so long as it does not cost the employer a penny more to pay for the hour after the expiration of the day than it did to pay for the first hour or the second hour, there is not much of an incentive to release the man at the expiration of ten hours or eight hours, or any other number of hours. Therefore, our asking for time and a half for overtime was for the purpose of penalizing the company, and we knew that if we did that that much of this overtime would be discontinued. And as a practical man, and as far as that is concerned, every, practical man, I don't care whether he is a general manager or president of a railroad, knows that that would have the effect of stopping all possible overtime, if they had to pay time and a half or double time for it.

Now, we were criticised, of course, for that, but our men voted to accept the proposition coming from the President, because it was the chief executive of this nation who was making that request. We said to the men from the platform when they were discussing it, "Gentlemen, let us suppose for a moment you refuse to accept the President's suggestion after his three days' investigation of it, what do you think public opinion will be when the President tells the public that we refused his suggestions and the railroad companies accepted it, etc.? You can't afford to refuse his proposition, even though it is not what we think you should have." They voted to accept it, as you have been told.

Then, what happened?" For eleven days we remained in Washington as the guests of the President, waiting for the conference committee or the representatives of the railroads to accept or reject the President's proposition. To this minute, so far as I know, they have never accepted it or rejected it. But the President's own statement to us, at the expiration of the ninth day, was "Gentlemen, I think they will give an answer tonight or tomorrow. They led me to believe that when I last met them."

Finally, after we had been there eleven days, our men becoming excited because they had waived so much of their original proposition, we commenced to see that we could not hold those men, nor the thousands and thousands at home much longer. So we said to President Wilson, "We realize we are here as your guests. You invited us here. We would ask that you kindly release us. We think that we have waited long enough. We would ask that you kindly release us and send these men home. We think these gentlemen down at the Willard Hotel will change front in a few days."

Whether the President knew just what that meant or not, I don't know, but he said then, as nearly as I can remember it now, "Let us hold

that in abeyance for twenty-four hours, because I feel confident I am going to get their answer, perhaps this afternoon."

That was Friday noon. We waited until Saturday afternoon, and no news. We waited until Sunday morning and no news. In the meantime, reporters had told us that the President had gone from the White House to the capitol and that he was then consulting with Mr. Adamson, Mr. Newlands and others in reference to a law. It is as true as there is a God above us that not one of the chief executives or men in these organizations had up to that moment ever thought or heard of an eight-hour law being enacted. We never thought of it. What the President had in mind, what he did in consulting with these people who later prepared that law was not told to us and we had nothing to say until the bill was introduced in the House, which is now known as the Adamson bill. (Applause.)

We sent our men with the order in their pocket to leave the service, as you know, a week later, September 4th. Within twenty-four hours, of course, the news was out that the strike was going to go on at a certain time.

The President sent for us and said, "Now, gentlemen, is it true that you have set an hour when this strike will go on?" We said, "The men have the orders in their pockets. They are on their way home now. It will take some of them six days to get home. Some of them live in Seattle and Portland, Oregon, and other places far to the west." Well, he said, "Gentlemen, this strike must not go on. It cannot go on. Here are a hundred million people that would be discommoded. It must not go on." "Well," we said, "Mr. President, don't you think we have been rather patient in waiting here eleven days for the other side to accept or tell you what they are going to do?" He gave no answer to that, but he said, "If we could get some law—I don't know whether we can. Congress is just about to adjourn. If we could get some law." We said, "Mr. President, we understand that there is a law partially prepared, etc." That was a compulsory arbitration law, so called. That is the law that I feared. That is the law that I looked for, if any, and that is the law that I expected would be put forth to try to stop the strike. I never thought of an eight-hour law, because I knew that a set of politicians, regardless of party, could not work out a law in six months that would successfully apply to the schedules on these railroads, either to the satisfaction of the employer or the employe. I never in my wildest moment thought they would undertake it.

But the first thing, you know, there was a law, and we were asked, "If that law is passed will you stop the strike?" We said to him, "Mr. President, we will stop the strike whenever your proposition that you gave us is complied with. Our men voted to accept that and they have gone home, no matter how it becomes effective. That will stop the strike, and that is the only way that we can stop it. The men who voted this strike on have gone home. They left with us the authority to declare it off or to stop it whenever your proposition is accepted by the railroad companies or put into effect."

That is the way the law was enacted. That is the way the strike came to be declared off.

Immediately thereafter we were told that we had been gold-bricked, that it didn't mean this and didn't mean that. It became effective or is to become effective on January 1st. I have my own opinion as to just what it means. We have worked it out. The National Congress of railroads have their opinion. They worked it out.

Perhaps no better opportunity than this moment could come to say to you that we, both sides to this controversy, are carefully considering plans to settle this entire controversy out of court, to settle it before

January 1st by applying something satisfactory to both interests, and washing and expunging the records, if you please. (Applause.)

It is only in a crude state yet, but I know I am not betraying confidences when I say, some of the very best friends, high up in the chambers of the operating departments of the railroads, favor something of that kind. They have discussed it with us. I only left them night before last in New York and will go back there again very soon. We hope to work it out. We know if we don't work it out for ourselves, the employes and the employers, that somebody is going to work it out for us and it will not be acceptable to either one. We know that. (Applause.)

For twenty-five years these organizations have dealt across the table in the most friendly spirit and we believe there is sufficient intelligence on both sides of the table to get together, man-like, and thrash these things out and reach middle ground, and if we do, take it entirely out of politics and go back to a move of establishing a federal commission of some kind to take the place of this Board of Mediation and Conciliation, a commission of practical men from both sides, appointed by this government, answerable to the President, with full authority to hear and dispose of all controversies that arise. (Applause.)

Take four of these men who have dealt with these schedules for years and years, take four operating officers, and I could pick a hundred men to whom I would be perfectly willing to refer the matter and abide by their fairness; put those eight men in the room with authority to settle the matter, cut them loose from their organizations, cut them loose from their railroad interests, and my honest opinion is that ninety per cent. or more of every grievance, so called, that originates today would be settled and settled satisfactorily. That is the line that is worthy of your thought. It is a line that we are trying to work out, and if we do it may stop this so-called compulsory investigation. I call it compulsory servitude, involuntary servitude.. Why? Because I do not believe in this free country of ours that any Congress of the United States will ever pass a law that will compel a workman to work when he does not want to work, unless he has been tried and convicted of some crime, as long as the employer stands for and demands, as the manufacturers' association went on record some years ago, according to report, their right to discharge men when they are unsatisfactory, or when they do not want them, just so certain do employes have a right to quit the service when they want to.

And I believe that if the supreme court decisions are at all to be relied upon, away back in 1897 that question was settled by the United States Supreme Court in the case of U. S. vs. Harry Ball and others, on January 25, 1897, in these words in part:

"We are utterly opposed to any law enacted by the state which will in any way, by consent or otherwise, deprive the worker of his right to quit work at any time and for any reason sufficient to himself."

Look that up. It is still the supreme court decision. And so I am ready to let this question of compulsory servitude, compulsory service, to go to the supreme court if necessary.

Last night a gentleman referred to a law where a seaman did not dare quit his vessel until the voyage was completed. I said to him, "You forgot to tell these gentlemen that the recent session of congress enacted the seamen's law, which seems to have taken the place of that old decision of the supreme court. The seamen's law has not been carried to the supreme court by the steamship companies as yet, nor do we think it will be. That seamen's law does what? It provides, among other things, the amount of butter and other food a seaman must be given. It provides the kind of sleeping quarters he must be given. It provides bath privileges for the seaman. It provides that a seaman can quit at any neutral port. It provides that the master must pay the seaman his wages within three

days from the day he quits, or pay a penalty of two days' pay for each day thereafter, one hundred per cent. penalty, two days' pay for one, that is. If this request of ours is a twenty-five per cent. increase, as alleged, might it not even at that stand the test of the supreme court, if the seamen's law can pass, the seamen's law carrying a hundred per cent. increase.

And so, gentlemen, this case has gone to the supreme court. We do not know what the decision will be, but, frankly speaking, I hope for a peaceful solution of this question before January 1st, making it possible for us to go back, as we have already gone, to the President, to the department of justice and to congress, if necessary, and say to them, "Gentlemen, we have had our experience. You passed a law to save a strike. We worked out a settlement, doing what we think you meant to do, in a way satisfactory to both interests. You will kindly forget that you ever had brought to your attention a wage scale, and we will forever and hereafter keep away from that building on the hill." (Applause.)

Now, I have exceeded my time by far. I only want to impress upon you this fact, that the railroad companies were the ones who appealed to the government, not the employee. If either party received something at Washington that they don't want, lay the blame to the persons who got us to Washington by their requests, and that would be the railroad companies.

The President of the United States did, in my opinion, what any President should do, and I am saying that as a lifetime republican. (Applause.) And not alone that, I never voted a national democratic ticket in my life until November 7th. And until the republican party gets back on the track—it's in the ditch now—until they get back on the track I am with the democrats. (Applause.)

Here in the press you see Woodrow Wilson called a weakling and all this. Why? I say that as one of the men who for three days and nights and for almost two weeks was with him whenever he asked, and that was pretty nearly every day, when we sat down and talked this thing over every way, I say that that is what changed me politically. Mr. Stone, of the Engineers, Mr. Garretson, of the Conductors, have always been republicans and they all voted for Woodrow Wilson. Why? Because he made them like him.

In this particular instance his one desire was the public. When he said to us, "Gentlemen, you must postpone this. It can't go on. You must postpone it until I can try to get Congress to do something." We said, Mr. President, we can't. There is not a power on earth can do it. If we send this message to these men it means a settlement. So we can't do it." I said to him, "If congress had declared war on some nation, would you arbitrarily say 'there shall be no war?'" He said right off the reel, "Yes, if it were wrong I would not permit it." Well, that is going some. (Applause.) I will confess that I didn't feel, czar as I am, according to some of these reports, big enough to say to my 140,000 men, "You shan't strike, even though no settlement of the question you have voted upon was made."

And so the President's only desire, his greatest desire, as I saw it, was for the masses, not for us and not for the railroads.

Now, the law was passed, not creating the eight-hour day to start in August, as we expected it, but on January 1st. But what happened?

On the 8th or 9th day of November hundreds of suits were filed all over this country. Against whom? Against the government, not against the organizations. Those suits were filed against the United States government to prohibit the eight-hour law going into effect, and they are there yet. The railroad companies would not concede anything to us.

They would not concede anything to the government. They have gone into court now to defeat the government and we would be put in jail if we even thought of doing that. But the railroads seemingly through their legal departments are bigger than the government, and still they are appealing for sympathy, telling you how earnestly they want to have arbitration—on what? On the roads where they fear a fight, but on seventy-five little ones, they haven't use for arbitration and there is nothing to arbitrate and they won't let us talk about that.

Gentlemen, in conclusion, I want to thank you for the time I have consumed. (Applause.)

Chairman Murphy: Apropos of President Lee's exposition of the side of the brotherhoods, I want to relate a personal experience. A couple of hours ago I had what I may say was a never-to-be-forgotten conversation with Mr. Lee. I asked him if he would say something this afternoon that would put the Evansville Conference on the first page of every newspaper in the nation. Being a publisher I can perhaps better appreciate the advantage of that than some of you people. He looked at me for a moment, and said, "I will try and do it." And then a moment later he said, "Perhaps I will." Your minds are as acute, or more acute, than mine. I think you recognize that he has said something of remarkable news value, something of significant import. I do not need to point out to you what it was.

My personal belief is that Mr. Lee and his fellow brotherhood leaders are as little satisfied with the Adamson bill as Mr. Trumbull and his associates. That is my guess. You may have a better guess than that.

With all modesty I submit that the executive committee of this conference has prepared an excellent program and with all deference to the ability and with appreciation of the efforts of the speakers who have gone before, I think we have reserved for the later sessions of the conference the real feast of reason.

I am reminded of a story that my friend George Ade is wont to tell. He told me not long ago of a poker game in which two frugal sports were engaged. They were playing ten-cent limit. One of them picked up his cards and glancing over them, said, "By jove, I wish the limit weren't so low; I would like to bet a dollar on this." The other fellow examined his hand and replied: "Well, I would like to bet five dollars on my hand. Let's raise the limit." The first chap said, "All right, I will go you one better and bet you a thousand."

"Oh, let's not be cheap sports; I'll bet you a million."

The other fellow thought a moment, appraised his hand and said, "I will go you a billion."

The first man, after a little deliberation, said, "Well, let's make it a trillion."

"A quadrillion."

"Quintillion."

That rather worried his opponent and he studied his hand pretty carefully for a while. "Well," he said, finally, "I won't let you have it for that. I will bet you a sextillion."

The second fellow looked at him disgustedly for a moment, then threw his cards down and said, "You can go to the devil, you are too darn educated." (Laughter.)

Now, with all kindness to the gentleman who has to follow on the program, I submit that he is the best educated man on questions of public welfare that is to be found in the United States. As independent in thought, as he is in politics, he has made a big impress on American af-

fairs. When I say that in addition to all of his other activities he runs three miles every morning before breakfast you have some idea of his capacity.

The pleasure of introducing so notable a speaker as Frank P. Walsh, of Kansas City, falls to my lot.

Mr. Frank P. Walsh: Mr. Lee has one word to add, so I will have to stifle this witticism that was about to flow from me in answer to the chairman's remarks.

Chairman Murphy: Mr. Lee.

Mr. W. G. Lee: I would like to get another word in before Frank Walsh starts, because after he gets started he is mighty hard to stop. You will be well paid in listening to him.

Now, what I wanted to say was this: I should have said before closing that if more representatives of the different cities, particularly through the chambers of commerce, who have been misunderstood from the labor point of view, would get together on this subject, it would be better for all concerned. I am a member of the Cleveland Chamber of Commerce and have been for several years. I joined it so that I could get to tell them how much I disliked some of the things they were doing. I joined it so that they would have to listen to me, and as your speaker before lunch said, hold up these things until you get both sides of the questions, before you make up your mind. That is why I joined the Cleveland Chamber of Commerce.

Now, if more chambers of commerce would hold meetings of this kind on all important questions like this one that involves the Adamson law and get all sides of the controversy to come before you and explain it, as has been done here before this conference, and as I believe this conference has done, there would be a different feeling over this country, and you, the people, you, the final jury, would be in a better position to talk about these matters than you are, to hold up your hand or say "aye" to some resolution of which you have only heard one side.

That is what I wanted to say, and now I am through and will yield the floor to Mr. Walsh. (Applause.)

A motion, giving Mr. Lee a vote of thanks, was unanimously carried.

Chairman Murphy: I now have the honor of presenting Mr. Walsh. (Applause.)

Our Country's Welfare—The Primal Object.

By Mr. Frank P. Walsh,

Chairman of Federal Commission on Industrial Relations.

Mr. Chairman, brother delegates, ladies and gentlemen: I would feel a little more assurance coming before you had my good brother Murphy explained in more detail the cause for that run of three miles before breakfast, as to who was in front and who was behind, if anyone. (Laughter.)

A few weeks ago, in the discharge of what I deemed to be a duty of common citizenship, I came to Evansville, Indiana. Excuse my ignorance, pity me for all I missed, it was the first time I was ever off the train at Evansville, Indiana. I met here a community spirit, a pull-together attitude among the business men, the officials and the citizenship generally that might well be emulated by all of the cities of the United States, and I found a community for lively spirit and energy paralleled in no other place in the United States except Kansas City, Missouri. (Applause.)

So when I was asked to come here to your conference need I say that I would not have dared to do so had it been to anything but a conference, that I would not have come back here to make a speech, but to meet in common with my fellow citizens from different parts of this nation, to discuss affairs and throw into the common pot of knowledge, or supposed knowledge, whatever idea I might have that it might be threshed out. All I can say is, and I am encouraged in what brother Lee has said, that I believe that this little conference will turn out as happily as the conference I had here a few weeks ago. (Applause.)

As I say, I came here because this was a Conference. It was a great idea. It is an idea that I hope is going to rule this nation, the idea of common interchange of thought which will bring out a common understanding, which will make us all pull together for the greatest nation that God's sun ever shown upon (applause) and for the production of wealth under circumstances, so fair to all, as will challenge the admiration of the world and serve the best thought of all those that have gone before and all who are still wrestling with this one great question of life.

I had hoped that all of us would have the time to attend every meeting of this conference, so that if there were a difference it might be thrashed out upon the floor of this house. It appears, however, that we are all busy men, and perhaps if these conferences are still to go on, as I hope they will, for intelligent thought and action and for the effect they will have upon the legislators of this country, we will have many opportunities in the future to compare facts, or alleged facts, and to lay down, as it were, the different angles of thought that animate us as forward citizens, I hope, of our own republic.

I read with very great care what was said here yesterday, by Mr. Thom particularly, and by Mr. Muir. I am only sorry that both of the gentlemen are not here to observe, to hear my views upon these questions. They treated the whole matter in a very broad way, and while I am to address myself, as I understand it, to those phases of our economic and industrial life that finally became fructified in the Adamson law and are now agitating the American people, it was my purpose to do it, if I could, as these gentlemen did, to treat it in the broadest possible way and in its bearing to all citizens of this republic, regardless of the industry they may be engaged in, regardless of courts or politics or any other abstract consideration except the public weal.

Now, I agree with Mr. Thom that regulation in this country has not been a success. I would like to state, for the purpose of argument, my thought as to why it has not been a success. I believe that it has not been the success that it ought to have been, because every fundamental step in regulation has been consistently fought by the railroads of this country in every state in this union, as well as against the operations of the Interstate Commerce commission. (Applause.)

I do not analyze, nor do I propose to confute, nor would I, any of the facts and figures submitted by Mr. Thom. I will agree that they are correct in their basic analysis, but I do wish to most seriously disagree with Mr. Thom in the thought that he gave forth to this convention as to what he called the Genesis of the regulation of railroads. If figures were essential I am afraid that I would have to say that if to my thought Mr. Thom was as far off in his figures as he is in his Genesis I would have to disagree with him in toto.

He said that regulations sprang from the bitter contests between contending interests, upon the one side the public, and upon the other side the owners of the railroads, who believed that they were operating absolutely in the field of private ownership and that, therefore, the public had no concern in what they were doing in respect to the operation of railroads. I disagree with him because his argument in its essentials denies the idea laid down in the plain terms of the constitution of the United States, made at the beginning of this republic, broad enough so that every law passed for the regulation of the railroads was so clearly constitutional as to leave no room for doubt in that realm.

I likewise disagree with the thought of his Genesis on the part of the owners of these railroads, when I look back to the beginning of that great industry in this country and see that the people, that you and I, that all of us, gave to those railroads as their contribution an empire in land greater than all France and Belgium combined, greater than the entire German empire, and greater in area than the state of Texas, whose northeastern corner is closer to Chicago than its southwestern border is to the City of Texarkana in its own state. I see there the written declaration of the organic law of this country which says to my mind, and which I believe should say to every intelligent mind, that the conduct of railroads in this nation is not even a quasi-public function but an absolute and indisputable function of the government itself, one of those functions that can properly be delegated to private hands, but partaking so much of the idea of sovereignty, of the expression of life in the nation, and of the pursuit of happiness as to make it a part of the inalienable rights of the people at any time they care to exercise them. If, as a matter of fact, following in all the years, following the great railroad development, following the civil war, the people gave no concern to this important function of the government certainly does not leave it to be argued, if my intelligence grasps this as I believe it really is, that any intelligent person had a right to ever proceed upon the theory that it was a matter of private ownership in which the public had no concern. (Applause.)

Now, of course, I would not criticise anything but the viewpoint of these gentlemen and yet I would not pass by what I believed to be obvious error for the sake of having the conference at all times pleasant. No person in the world despises the attitude of the death's head at the feast more than I do. No person, I am sure, within the sound of my voice feels the elation that I feel at hearing what has just been uttered upon this forum, but, as I say, we are discussing these things now for the common good and let us get our bases so we will understand each other, not only for this exigency but for all time in the future.

I take the two arguments presented by these two very able gentlemen, for whom I have the most profound personal respect, as well as for their

qualities of mind and general intelligence covering the subject upon which they speak, but I find the logic in the argument of Mr. Thom to be that on account of the regulation which has not been centered properly by the states of this union that investors are timid and that the great operation of providing means of transportation in this country, almost if not altogether, at an end, because investors, frightened away in their timidity refused to put up the money necessary to carry on this great public function, now in private hands, and I read the argument of Mr. Muir who says that in fifteen years the ownership in the railroads have increased and become more generally diffused to the extent of from one hundred thousand investors in 1901 to six hundred thousand investors in 1915. (Applause.)

And I listened to the figures given by our friend Clifford Thorne, in which he challenges these very able gentlemen that preceded him and followed him to deny, and I see the reason why the investors' circle is rapidly being extended, and I indulge the hope that they will be in perfect justice so treated by the government of the United States that it will be for a long time to come as fruitful a source for investors in the future as it has been in the past 15 years. (Applause.)

I should like to refer to what I might call the complaint of Mr. Muir with regard to the actions of the brotherhoods and the alleged inactivity of the investors in railroad stocks and their securities. He says, and I quote his own language, "that the giant should not exercise his power tyrannically, that these brotherhoods never should have forced the government of the United States into the position which they did." And that the only reason they did it was because the investors, six hundred thousand strong, as against their four hundred thousand strong were unorganized, that they had not learned the benefit of organization, while these men had thrown in a dollar here and a dollar there, not steadily, but organizing all the time, so that they possessed the economy of concentrated power of demanding things from the government that the railroad investors could not demand.

Now, as I say, not wishing to animadvert to the statements in a manner that would be offensive, I stand here for the purpose of broad truth to say there never was as compact an organization industrially, politically and financially as has been the organization of railroad executives. (Applause.) Need I refer to the fact that for years and years they absolutely dominated the legislatures of the various states? Could I sit here in the presence of gentlemen that I know and name, name after name, not that represented them as Mr. Muir said in a narrow way and openly, but as a part of the perfected political organization that existed in every typical railroad state in the United States? And need I call attention to what transpired in my own state, and that for over twenty-five years fought the passage of the law conceded today to be as just and necessary to the transaction of the railroad business and the administration of justice as the law abolishing the rule of fellow-servant, fought for for twenty years and fought against by the lobby of the railroad companies? Need I enumerate the many states where mens' names have gone down as railroad governor? Need I read through the great list of men whose actions won them the title of railroad senators in the Senate of the United States? And I want to state here again, for the purpose of elementary truth, that they have been organized more compactly, with greater force and a greater means of carrying on their objects on the field of industry than they were even in the political field or in the field of finance. (Applause.)

I expect later to refer, perhaps more specifically to those things that ought to animate our ardor as Americans today in bringing about the solution of these questions that seem to be closer to us, and I might say that one of my reasons for being here today is because I believe the

railroad operators fatuously and without weighing all that it means to the people of the United States and for our future are taking a wrong attitude, to consideration of which I believe is the primal right and the primal reason for our being here today, as I understand it, and it should be taken into consideration that the railroad companies of this country are a part of the armed forces which seem to stand ready in the various states to do away with the civil processes in these disputes, that seem to be stronger than the action of civil officers, as has been demonstrated in state after state of this union. To illustrate that, may I say that the Pennsylvania Railroad Company has armament enough and potential force enough to use those armies to overthrow a sudden effort upon the part of the militia of Pennsylvania to subjugate or master a situation which they might be called upon to master. I give you that simply as one incident, as one great truth that we ought to consider in leading up to a consideration of the subjects that we have before us today.

Now, my friends, I may not agree in all that my brother Lee has said; no more do I agree, as has been expressed here, with what my brothers Thom and Muir have said, but I shall try to give my experience as an American citizen and I believe that I can be excused for the same amount perhaps of personal reference as the other speakers have very properly indulged in.

I never was a member of a labor union. I never belonged to a craft in which there was an organization. As a practicing lawyer for thirty years, I have been the general attorney for public utility corporations as well as steam railroads; and certainly nothing that I say here today, I hope, can be thought to emanate from any angle that had its origin, either in personal interests or in an education along lines that has a tendency to make a man's thought run in a given direction.

Broadly speaking, every human being has the impulse of freedom; every charter of right wrung from every tyrannical ruler in the history of the world had it for its very foundation stone. Thoughtful men see no difference in the processes by which one man may be enslaved or impeded in the operation, if you could call it that, of his own self expression. Whether a man stood over me with a whip in his hand and compelled me to perform a designated task, or whether another had been so circumstanced, either through his own efforts or something fortuitous, as to give him the control over what I needed in order to make my living and leave me in fear that I should starve or would not have the competence to raise my children or spend perhaps my old age in poverty, thus preventing my giving expression to my higher self, makes no difference to me or any other reasoning man.

Many of us, one way or another, have won our economic independence, but great bodies of men fail to do so, not through the fault of any person living at that particular time, but perhaps through the fault of the institutions, of the false education, if you will, and other circumstances over which they had no control.

These men banded together in the early days of our republic and started the Genesis of the labor unions. The issues which confront us today have as their chief proponents, or at least all persons as a class or as a mass upon one side of the question. Briefly stated it was the effect of men by combining together to secure that degree of economic independence that they could not secure one by one.

The keystone of their organization is the right of collective bargaining. Please get that word, if I am to transmit my thought to you, the right of collective bargaining. Not something handed to them by other than that means, not something handed to them because they convinced some person higher in authority that they ought to have it, but the right of collective bargaining means in its last analysis the right to

carry on the production of the world co-operatively by those who produce the wealth of the world. In other words, it is the denial of the existence of a master class or of a superior order. It takes, if I understand it properly, into consideration that brainpower necessary to plan, as distinguished from the brawn and muscle necessary to execute. It takes into consideration as well as those two factors the element of distribution under which railroads might properly come, and the right of the employed to demand the right to be compensated for the very great service which he renders to society.

Those organizations have grown until we find today presented in its highest development the idea that I have tried to express here in the four brotherhoods, now contending before the country for the right to work but eight hours a day.

Now, for the purpose of this little argument, I am going to strip this question of everything except the eight-hour principle. I am going to give my conclusions and give my voice for what it is worth.

The basis of the demand for the eight-hour law has been expressed by the president of one hundred millions of people and, on a direct issue, has been ratified by the greatest majority ever given a man that ran for president. (Applause.) He says that society is insistent in its demand that no man be forced, in order to earn a living, to work over eight hours a day. Our government has acted upon it nationally. Thirty state governments have acted upon it. Every society of scientific research along industrial and social lines that has given it any consideration, every independent society in the United States or Europe has declared for the eight-hour day upon this basis, perhaps with a slightly different wording but practically in the language of the president of the United States, that the physical well being, the opportunities for mental development and recreational needs of man require that he should not be compelled to work over eight hours a day. Some gentlemen have grasped this idea awkwardly, it would seem, so far as the basis is concerned and believe, it would seem, so far as the basis is concerned and believe, or say they believe, it depends upon a question of bodily fatigue that breaks down the human economy or of monotony which has an evil effect upon the nervous system and upon the operations of the mind, and it is to conserve in that narrow way that this proposition is laid down.

Far from it. There is something greater even than life, and that is the opportunity for mental development, to engage in all of these operations and personal enterprises that make for the joys of life and that raise us from the level of the dumb brute into that realm of reasoning and thinking that God Almighty intended all of his children to dwell in. (Applause.)

And so the happiness of mankind was to be conserved, his recreational needs demanded it. And so we find in the year 1916 four great organizations that have attained their economic independence. Why do I say that?

The President of the United States could not command me tonight to endeavor to drive a train to Kansas City, to my home. I do not know how to do it. I would lose my life and I would cause the wreck of other men's lives. The President of the United States could not command me today to take a shovel and pick to dig a ditch, although I am better able to do it than many of the men I see performing that operation in the streets of our cities. Why? Because I will it otherwise. I have attained my economic independence. I am not afraid of where my breakfast is coming from in the morning. I have mapped out my whole life, and so far successfully, as you have. I am engaged not in work but in the practice of a profession through which I believe at least I can give expression to that which I believe to be for the service of mankind and which I wish above all other things to do.

Now then, these men have reached the point where they can say no. And why? Because they in numbers have reached that point where the railroad operations of this country would be seriously impeded, if not absolutely suspended, in case they withdrew from the employment of those railroad companies in a body. They simply have gone through twenty-five years of strife, in which there was bloodshed, in which there was sacrifice, in which there was disgrace for many men, in which there was breaking up of homes, in which finally a God-given intelligence seemed to shine out and teach them that nothing in this world was ever gained by violence, by marching on through the path of education they felt that brainpower and strength of purpose were the first qualities in an immense organization of that kind that absolutely had the power in itself to demand the eight-hour day upon the basis that all organized intelligent society says a man is entitled to in order to make a living in this great world of ours.

Now, I am not going into the technique of what happened that brought that question so sharply before this country, but I do want to say with as warm a feeling of kinship to the great railroad executives of this country, to whom we owe so much, as I ever felt towards a human being in my life, that great care in this situation ought to be given to what happened leading up to this controversy.

The President of the United States spoke to those gentlemen specifically and locally, but generally to all the people of the United States, that the eight-hour law was not arbitrable. Some check must be put, must it not, upon the activities of men whose interests might perhaps clash, whose personal interests are very likely to clash? In other words, it is very difficult for a man to be a judge in his own case, to pass upon a question that might seriously affect his own future and his own fortune.

Generally speaking, society comes to viewpoints as a whole in a more or less abstract manner. We did away with the question of serf and master among the bright peoples of the world; and in the tumult of society and in rivers of blood we did away with the idea of chattel slavery among any kind of men upon the face of our own continent. It confiscated property, it affected the existing order and age-old institutions, but when the thought of the world emerged to that point, it was unjust and it had no basis for its being and it had to pass to a new order, to the higher and the better one to which we must always aim and to which the world must attain, always and always.

And so the President of the United States told these gentlemen in a most solemn manner that that is not arbitrable. And what does he have behind it? Society and the world have found that the physical well being demands that a man should not work longer than that. That goes into the very right of life itself. Where is the authority that can tell me, a free man, that I must do something that will undermine my health, or make my days in the land shorter than what God and nature perhaps intended that they should be? What power is there in railroad executives, in congresses or in supreme court judges to so control my life as to tell me, if I have the power to do it myself, the length of time that I shall toddle my baby on my knee or look into the eyes of my good wife at home? What power is there in railroad executive or official that can tell me, if I have the power in myself, that I shall work longer to make a living than that time which gives me an opportunity to develop my own mind and to look after the education of my own children, and I leave out of consideration altogether my recreational needs, which are as necessary to life and happiness as the first two, perhaps, fully. Where is the authority?

I say that in a free society there can be no such authority. I say that our education amounts to nothing unless our minds are so sharp-

ened and our viewpoints so changed from the past that we can meet with those brothers of ours, engaged in the production of wealth, and by ourselves and without any compulsion lay down those rules that conserve life, mental development and happiness, in the production of wealth in that industry in which we are all engaged.

Now, then, it has been said that this was a matter for arbitration, on the part of the executives. You are met with the stonewall, the undeniable, basic hypothesis that no man will arbitrate the length of his life, his own health or his own mental development, and you are brought face to face with it in an industry not only in which four hundred and fifty thousand men are engaged—and I say without offense to the executives, if I were going to determine whether or not a thing was right and just in an industry, I would take the 450,000 that operated the trains before I would take the railroad executives, much as I agree with the idea that they have performed their jobs well, because I believe that there is higher intelligence in numbers, and I believe the greater experiences of a great number of honest men, when they can give voice to the experience that they have had are better than those of a small number, so that if we are dealing with them, not as a matter of compulsion, but as a matter of co-operation, I would call upon the 450,000 before I would the 175 or whatever the number is.

Arbitration upon such a subject, therefore, is impossible. When the organized thought of free society says that it is impossible, then it is impossible of performance, no matter what a few gentlemen may think about it.

Much has been said about compulsory investigation, a sort of compulsory arbitration. May I say for the purposes of this debate that we are having here and for the purpose of a better understanding perhaps, that that has been very well tried out under the Lemieux act in Canada, and the part that would make it operative in the present emergency has absolutely failed to work out in Canada. The Lemieux act provides that in all public utilities, such as steam, urban and interurban railways, and in the coal mining industries, where there is a dispute between the employers and the employed, that it should be submitted to a public investigation and that pending that investigation it shall be illegal for the employers to lock out their employees, or for the employees to go upon a strike.

Drastic penalties were attached to the act for violation of any part of it. In a coal mine strike many men were confined in jail for giving sustenance and assistance to men that went out on a strike, as well as the actual strikers in this particular coal industry. And when it came to the same proposition with the employees of the Grand Trunk Railway who allied themselves, that the strike was called regardless of the law, and the gentleman that wrote that law and testified before the commission on industrial relations, Mr. W. L. McKenzie, said there would not have been jails enough in the Dominion of Canada to hold those men that violated the law, claiming that no power existed in the government to make them work if they didn't so desire to do.

Now, what is the use of talking about transplanting that law to this country that has for its underlying principles the right of personal liberty as expressed in the American declaration of independence and attempted to be conserved in every line of the constitution of the United States and the spirit which is supposed to run through all the laws of Congress and all the legislatures of the United States of America.

If a man can be compelled to work for one hour, logically he can be compelled to work for a week or a month or in fact for a lifetime. It is opposed to every fundamental principle of our government, and whether Congress passes it or not, it cannot be operative.

Now, I want to call attention to one other thing as indicative of the state of the nation today upon these industrial subjects. Did you hear Mr. Lee say from this platform that they were going to abide by any decision of the Supreme Court of the United States? Now, mark you, I might have serious controversy with gentlemen that hold certain views; you may have, too, but we should not be like the ostrich, bury our heads and observations so that we could not look at the facts.

Do you recall that on the day the hearing was called on the Adamson law in Washington, that a body of laborers representing more than 2,250,000 actual workers, with their kin and dependents amounting to more than 6,000,000 of the organized wealth producers of this country, in solemn convention declared that if injunctions were issued or processes taken by the courts to take away what they considered their rights as citizens, that they in a body would violate the law, let the consequences be what they may? Do you see what is going on in this country today? If you do, then you have the same serious thought with reference to the perpetuity of our institutions without the most severe shocks that I have as I speak to you today.

Out on the Pacific Coast was committed the most abominable crime almost in the whole history of this country. Scores of innocent persons were crippled and wounded and nine human beings hurled into eternity by the explosion of a dynamite bomb; five men arrested and put upon their trial; meetings being held all over the United States declaring that those men were selected on account of the fight that was being made by the chamber of commerce against organized labor and that they were absolutely innocent and that they were picked out because they were heads of labor organizations and agitators along what might be called the extreme ideas of labor organizations, and the facts covering that abominable crime were obscured. Perhaps men that ought to be restrained, if their lives not taken by the law, will escape scot-free; and in any event thousands and thousands of our fellow citizens will begin to doubt whether the law was made to apply equally to all men.

I recall the case in Seattle, Washington, where the president of the largest shipbuilding company upon the Pacific Coast, testifying before the Commission on Industrial Relations, declared his opposition to the Clayton act which removed labor unions and fraternal organizations from the operations of the Sherman anti-trust laws in such vigorous language that he declared against all laws and all governments and all executives, declared that a revolution was coming on, and that he was ready to join in that revolution, a man of great intensity of purpose and of tremendous activity and energy upon the Pacific Coast. I follow along and I say that they have the right to declare that they have the right of free speech, to bring about better conditions in the lumber camps in the northwest, and these men, and here is a disgrace of modern conditions, are attacked by men under authority of law and mowed down by bullets and their lives taken. I am not here to pass upon the rightfulness or the wrong of the prosecutions that may follow or the arrests that were had there, but I do figure from cause to effect and I say as an American citizen that when anarchy is proclaimed in that way that we must reap what we have sown.

We have these contentions going on all over the United States and in every place the efficacy of the law being attacked by a large number of people. If an official in some instances performs his duty in a way that he thinks is proper and right, but which seems to conserve the interests of what might be called the weaker classes of the producers of the country he is attacked as a demagogue. (Applause.) His facts perhaps are not disputed. His conclusions drawn from facts are not questioned at all.

But he is personally attacked. Again, an officer attempting to uphold the law, to see that justice is absolutely conserved and the law absolutely enforced, instead of having his acts questioned and brought into the forum perhaps of public discussion, if proper in a campaign or otherwise, he is attacked as an enemy to labor or an enemy to the down-and-out, the producing class—a tyrant or such names as that applied to him. So we must look at these things just as they are.

I said that was the greatest crime in my recollection at San Francisco. I withdraw that and say that it was not as great as the crimes committed by the industrial organization in the fields of southern Colorado in the persons of the operators of those coal mines out there. I speak now outside of the realm of controversy or anything that our commission, the congressional committee or the courts of Colorado found, but of how the supreme court of Colorado, denounced those officials and the operators that were in league with them as potential anarchists that were disintegrating the very fabric of the state of Colorado. I take the awful butchery of those men, women and children in cold blood, unarmed men and helpless women and children, and the application of the torch to burn down the only habitations they had upon earth, and I take back what I said about San Francisco, and I say that that situation in Colorado more than paralleled, it absolutely made it fade away in point of inherent infamy and coldbloodedness.

Now, I say these things to you, my friends, because I am trying to lead to what I believe to be the underlying thing that is causing the contention over this Adamson law, down to the present time. Consciously or unconsciously, it is the grappling for power, the dislike upon one side when it holds the power to give it up, and the contention of many other men that they cannot be free and cannot live their own lives unless they have equal power with those who would deny it.

I say that the most significant thing about this whole situation is the attitude not only of these brotherhoods but of organized labor in this country towards the courts. They are absolutely paying no attention, do you know it, to the highest judicial body in the world. The contest in court is between the railroads upon one side and the government upon the other. There is no primary student of the law that did not believe it was the law that the subject could not sue the sovereign, that no man could sue the government of the United States. The right of a state to sue the government had to be put into the constitution by an amendment after the original document was drawn. And here are the railroads suing the government of the United States to prevent the operation of a criminal law that has for its object the conservation of life of human beings in the United States of America.

Think for a moment! Consider what that means! The pleadings, and I have seen many of them, filed in these cases so far as the heads of these brotherhoods are concerned are on printed form, sent around to them by the gentlemen representing the government of the United States in these legal controversies. They signed them as a matter of form. And I want to say to you here today from not only the experience that it has been my privilege to have in an investigatorial way with these gentlemen, but from the comments and observations of those that they would not exchange the power that the executives of the railroads may have over their lives for power expressed through the supreme court of the United States. They have reasons for doing that. They are arguing that the judges of the supreme court have not been educated along industrial or economic lines. If their lives are to be controlled they will take their chances with those men, many of whom grew up side by side with them in the railroad industry. They point to the fact that it took the supreme court ten years to come to the point of view, that they have reversed decisions to come to that view, that it was in the purview of legislation to

conserve motherhood and perpetuate a virile and healthy race in declaring unconstitutional at first that law prescribing the hours of women and the circumstances under which that labor was to be employed. They point to the fact that the most just law conceded by the entire country today, that of the right of levying of a federal income tax, was denied for years and years by the supreme court of the United States.

They point to the fact, and it is a significant one, and these men, as I say, are being educated along these lines, that such men as Frank J. Goodnow, at present the president of the John Hopkins University, the greatest living authority on constitutional law, who was called out to map out the organic law of the new republic of China, a conservative, and many eminent men, among whom is a past president of the American Bar Association, a member of the faculty of the University of Columbia, and many others, all join in saying that regardless of anything that might be dishonest in spirit or action, the members of the bar whose training as lawyers lead them away from the economic thought that the great masses of the people think are necessary to the working out of the solution of the problems that have to do with the every-day lives, and therefore, as these great authorities say, look at them with the viewpoint of the few or those who are perhaps exercising the fruits of special privilege, are too often backed by the courts in this country in controversies out of which grow purely social or industrial results.

Now, none of us ought to have a word to say unless perhaps some remedy might be suggested. I want to say that, of course, I don't hold all of the views that I have expressed here about the courts, although I hold many personal ones. I believe that the distrust of the courts largely comes from the conduct of the bar itself. I am not pretending to be a curist here. As I say, I represented corporations and railroads the greater part of my life and I must confine myself for the moment of course, not only with the technicalities of the situation, but it is palpable that attorneys can be hired. Their first function was, of course, in the courts of the country and in those places where it took a presentation on the part of some person learned in the law to have a proper adjudication of disputed subjects, but the bar has gone much farther than that. It has gone into the realm of legislation and there has never been any proposed legislation in this country in my time that the very best of the bar did not hesitate to take the side of the question that was at least unethical if not morally and subsequently legally wrong. In other words, it has become the practice for men, justifying themselves as making a living and receiving fees for it, to represent before legislative bodies, committees of the legislature, and even in public speaking campaigns, principles to which they don't give their mind and thought and for which they act as mere paid advocates. When these men see these same persons being elevated to high positions upon the bench they naturally have a distrust of the thought that any part of their well-being shall be given into the hands of the courts.

Now, the remedy, as I take it, is this: I want to say that I am amply repaid for crossing a great part of this country to hear the speech that was made here today. I refuse to believe that a railroad engineer is not as patriotic and as great a lover of American institutions, the engineers as a class, as lawyers are. I would be untrue to the best that ever animates us today if I made other reference to the men here that have come up from the ranks, if I say they are not as patriotic as I am or as any engineer was.

Now, I was simply going to say that my solution would be this, that the law of the land, aside from any technicality that can be imposed by any lawyer, represents now the thought of every society that eight hours is the basic time for a day's work. I don't care what the necessities of the committee were, that drafted that bill in order to make it effective.

We know, and the railroad executives know, that the basis of it was intended to be an eight-hour day. Now, we are not going, as a people I mean, to rush into praise hysterically. If it becomes necessary to add to the revenues of the railroad companies, we will do it. When I say "we," I mean, of course, the government will do it. It has always treated them fairly. I care not what any man may say against the government as a whole, it has generously and wisely served and protected all of its citizens, and that includes all investors in railroad stocks and securities as in all other securities. It can be depended upon to conserve their interests in this crisis. Therefore, I believe that the railroad executives of this country, and I am treating them now as a party, are about to get together and put the eight-hour law into operation. If they don't, enforced arbitration can never obtain in a free organization. Under our organization, executive, judicial and legislative, hours of labor or conditions of labor can never be imposed upon a man by any court proceeding.

Facing the facts then, let us agree upon the eight-hour day. Let us provide the means, if necessary it be, to pay for that eight-hour day. And if these men who operate the railroads are so blind to the tendency of the times, might I be a little harsher and say it is so, regardless of the law of the land, and if it stands out against this just demand then let Congress pass a law that will give the government of the United States the authority to take over the railroads, enforce the eight-hour law and hold them in status quo until these gentlemen are willing to abide by it. (Applause.)

Chairman Murphy: Probably it will not be my privilege again to address any extended remarks to the delegates in person and I shall use this opportunity to thank them, as well as the notable men who have spoken before the Conference, for coming to Evansville for this meeting. Further, I wish to say the Conference has proved, completely and satisfactorily, the soundness of the idea, originating in the Evansville Chamber of Commerce, which contemplates the broadest and fullest discussion of every vital public problem in regional meetings to be held here, there and everywhere in this great nation. Business men find it difficult, often impossible, to leave their affairs for the time required for a trip of several thousand miles and our Conference, with its remarkable program, if staged in New York, Washington, New Orleans or Minneapolis, would have attracted very few of the men who have come to Evansville. Contrawise, the men of affairs of those distant sections could not spare the days necessary for the journey here.

If, however, our plan is developed logically and is adopted generally throughout America, there can be no doubt that transportation questions and all disturbing national problems will receive more intelligent attention and be more sensibly interpreted and wisely unriddled than if their unraveling and solution is left wholly to politicians. In short, we want the business men of the United States to determine what legislation should come out of Washington when that legislation directly or indirectly, affects business. (Applause.)

This point has been developed in the admirable addresses given here yesterday and today. It was touched upon in the speech of Mr. Walsh, with its brilliant exposition of the side of the great public, and in the address of Mr. Lee, who so ably presented the case for the railroad brotherhoods. Likewise, the logic of our plan had verification in the statements of the sagacious counsel for the railroads, Mr. Thom, and in the illuminating addresses of Mr. John Muir, Clifford Thorne and Mr. Leigh.

I am vain enough to think we have written a few pages of history in Evansville this week, for I believe we have set in motion forces that will some day have a tremendously potent influence for good in the affairs of our states and of our nation. If sectional Conferences of the proper scope, broadness and worthiness follow the Evansville Conference, as our

great president, Woodrow Wilson, earnestly desires and as every business man should desire, there will be an end to improper legislation directed at commerce and industry. Constructive, reasonable, broad-minded laws will replace the narrow ill-timed, often vicious legislation of a day when only politicians framed the laws. (Applause.)

May I read one paragraph from our program:

"The Evansville Plan contemplates finding the real solution of transportation problems in ascertaining the consensus of business opinion by means of regional meetings, which business men can and will attend. These conferences must be representative of every angle of the question, and in their breadth and scope attract the best thought of the nation."

I think you will admit we have attracted some of the best thought of the nation here. (Applause.)

A new Mark Twain story is cast in the setting of Hartford, Conn., in the days when the great humorist lived there and had as a fellow resident Mrs. Harriet Beecher Stowe. One winter's morning, following an unprecedented snow storm, akin perhaps to the one we have just had, which almost house-bound the population of Hartford, Twain was observed struggling through the drifts, fighting hard to make headway, but vigorously puffing at a short cob pipe. He carried a large wooden shovel and an iron spade. Asked by a neighbor whither he was bound Twain answered:

"I've just had a note from Mrs. Stowe saying her husband is under the weather. I'm going around to dig him out." (Laughter.)

The snow fall under which the shippers and the public, the railroads and the investors find themselves is unprecedentedly deep. The difficulties that beset them are enormous.

We have here as the last speaker on our set program a man who ought to be able to dig out some truths for the shippers and the public. He is a traffic expert and is regarded as one of the best qualified men in the United States to present the view of the shipper.

I have the pleasure of introducing Mr. J. M. Belleville, the traffic manager of the Pittsburg Plate Glass Company, who will talk to us on "Mutual Interests of Shippers and Railways in the Transportation Problem." (Applause.)

Mutual Interests of Shippers and Railways in Transportation.

By Mr. J. M. Belleville,

Traffic Manager of the Pittsburgh Plate Glass Company.

Mr. Chairman, ladies and gentlemen: I am afraid our friend Murphy has gotten himself into some trouble by making the comments that he has about me being an expert and going to give you a treat. I fancy that after I have talked you will see that instead of the kind words that he said he should have remarked that this afternoon last of all came Belleville.

I feel, Mr. Chairman and gentlemen, that I owe an apology for presuming to come here in answer to Mr. Murphy's very cordial and pressing invitation, knowing as I did know how little opportunity there was for preparation. I had that feeling grow upon me and become strongly entrenched in me as I sat here yesterday and today listening to the very eloquent and comprehensive and enlightening addresses, addresses that denote very, very great thought. I agreed to come, however. I didn't agree to come so much for what I could give to you as for what I could get from you.

The older I get, the more that I study these great problems of transportation, the less I feel that I know and I always find in these conferences where both sides are presented and presented forcibly and as comprehensively as they have been today and yesterday that I have always learned something that is of value and I expect to keep on going to that school, which is the best school after all, as long as I am able to keep upon my feet.

I began to think, however, this morning, or rather yesterday morning when Mr. Thom was talking and later when Mr. Walsh was speaking that possibly my alleged brains were not working just right. I didn't, as those gentlemen did, read the address of Mr. Thom's and Mr. Leigh's and Mr. Muier's in the morning newspapers, but I heard them, and I must confess that I could not find anything in those addresses that indicated they condemned governmental regulation. Of course, we all know that the railroad men of the old school who were brought up to believe the railroads were private property did resent anything like regulation and despised it. So, for that matter, did the shippers. But I think all up-to-date railroad executives and railroad managers of today fully recognize that regulation has come, and that it has come to stay, and that proper regulation is a good thing and does a good work.

I think we all want to remember, however, that the men who passed the regulatory acts were men, and that the men who were administering the acts also were men; and we also want to remember that human nature is prone to err. Possibly there may be some mistakes in the law itself that need correction. Possibly there are some mistakes in the administration of it which need changing, but I believe that will all come about.

I wish upon this occasion that I were an orator and that I possessed the command of language of the chief magistrate of this country and that I were gifted with the rugged eloquence and forcefulness of our former President Roosevelt, that I might drive home to you forcibly the very grave condition of the transportation problem as I view it, and impress upon you forcibly the crying need of the hour for serious thought and forceful attention.

These are very troublous times and it behooves all good citizens, and especially all live business men, to want to heed and emulate the railroad

warning with which we are all so familiar—"Stop! Look! Listen!" We are enjoying now a period of the very greatest prosperity this country has ever known and one for which our transportation facilities have proven absolutely inadequate to meet the necessities of the public as they exist today, to say nothing of meeting that increase which is so sure to come. It is idle for us who are on the shipping side to condemn the railroads of bad management, to say that they ought to have foreseen the boom in business and prepared for it. The late James J. Hill, with a prophetic vision, nearly twenty-five years ago, astounded the business world with the magnitude of the sums which he estimated it would be necessary for the railroad systems of the country to spend in the next five years in improving their facilities. The results have proven his estimates to have been correct, underestimated rather than overestimated.

It is equally idle for us to say that but for the stock-jobbing schemes and graft on the railroads they would have been able to meet the necessities of the times. That is water which has gone over the dam, and the facts regarding those transactions are only valuable to guard against the repetition or recurrence of them. It is a condition which now confronts us and not in any sense a theory, a condition which we must admit that the shippers as well as the carriers are responsible for, a condition such as this country has never before known, a condition calling for the serious thoughts of the very best minds of the business world, that we may solve the problems of the hour, a condition which above all else calls in very loudest terms for co-operation.

A demand for efficiency has swept over the country during the past few years and has pervaded every line of business enterprise. Real up-to-date efficiency in my humble opinion is absolutely impossible without real up-to-date co-operation, and especially is this true in connection with the transportation problem. You, gentlemen, probably all are familiar, many of you, and certainly all the ladies, somewhat familiar with Holy Writ, and you know that St. Paul, in his letters to the early churches, gave a great deal of fatherly advice. I can't say that I agree with all of the advice given in those letters. For instance, his injunction to Timothy to take a little wine for his stomach's sake and his oft infirmities, wouldn't do for everyone to put into effect. I do heartily agree, however, with his advice given in his letter to the Philippians. Lest you may question my knowledge of Holy Writ, I will give you the chapter and verse. It is the fourth verse of the second chapter of Philippians. I want to commend the advice given in that text to every interest that is represented here, railroads, manufacturers, shippers, laborers and law-making bodies. The text reads: "Look not every man upon his own thing but every man also upon the things of others." Which is only another way of stating the golden rule, which rule a man said has been more honored in the breach than in the observance. May I say that if in the past there had been more looking on the things of others, both by the carriers and by the shippers, there would not have been a need for so many rigid laws. However, that again is water which has passed over the dam. A consideration of our mistakes is only valuable if we use them to prevent a repetition of the same kind of trouble.

Today, the manufacturers, shippers, farmers and merchants of the country are offering to the railroads a volume of tonnage which is the largest the country's history has ever known, and the transportation carriers' resources are absolutely inadequate to meet the condition and demand. Practically all of our railroads are short of power, short of cars, short of trackage, short of labor, possibly I should say short of money, although that seems to be a very debatable point. I don't believe they are all short of credit. In this situation what do we find? The shippers and the manufacturers are blaming the railroads. The railroads are blaming the shippers. Each interest looking on their own things and not on the things of others.

Now, what is the remedy for the situation? More law? More regulatory enactment? Possibly we may need something of that kind, but, as I view it, the one weapon that is ready to our hands is co-operation, and that without consistent, intelligent co-operation we shall never get out of the present quagmire but will be permanently engulfed. We need co-operation on the railroads, one with the other, and in that regard we need co-operation in each railroad of the different departments. A good deal of this trouble in this distribution comes from a lack of thorough co-operation between the various departments of the railroads. Then we need co-operation between the shippers and the railroads, and to make co-operation effective it is necessary that each look upon the things of others.

You will pardon me when I speak of co-operation if I refer to a personal experience of a few years ago, I do so merely to illustrate the point. I referred to the prophecy of the late James J. Hill for the needs of large expenditures on the part of the railroads. The officers of the American Railway Association, being very much impressed with Mr. Hill's views, together with their knowledge that the transportation system as it existed, issued a bulletin a little over four years ago called their bulletin number 10, in which they set forth at length the condition of the railroads, their needs, their revenues, and showed the enormous expenditures that they would have to meet, and expressed the view that the railroads' borrowing power would not enable them to borrow sufficient funds to meet that emergency. The president of the corporation which I serve was very much impressed with the figures set forth and the statements made in this bulletin. He asked me if I had any means of verifying the correctness of those statements. At that time I happened to be president of the National Industrial Traffic League, and I wrote a letter to the presidents of some twenty railroads asking them their opinion in the first place of the correctness of the figures given in that bulletin number 10 and in the second place if the figures were correct, what about the ability of the railroads to provide necessary funds, at the same time expressing the desire of our organization for co-operation.

I received replies to all but two of these letters and they were extremely interesting and I regard them as a very valuable file in my office.

One of these letters, however, was from a president of a large trunk line, a man of large and varied experience in every department of railroad service. After commenting fully upon the bulletin and expressing his opinion as to the inability of the railroads to raise the necessary funds, sadly expressing the belief that government ownership "was the only outcome and concluded his letter with these words: While my views on this subject are no secret, and I frequently express them in public, I have never before so fully put them upon paper. I do so now because you represent a class whose business it is to get all you can out of the railroads without any regard for anything except the temporary advantage for your employers." May I quote very briefly from my reply: "The very drastic measures which have been adopted in the past few years would, in my opinion, never have been placed upon the statute books if there had been proper co-operation and if the railroads and shippers had each exercised a proper regard for the rights of each other. Furthermore, I do not believe that the attitude of the commission towards railroads, of which you naturally complain, would have ever come about had it not been for the utter contempt of the commission by both railroads and the shippers in the earlier years of the commission's existence. I do not at all regard the situation as hopeless, even now, nor can I for a moment believe that government ownership of the railroads is the only possible outcome of the present situation. I do most firmly believe that the only solution of the problem, which is unquestionably a very serious one, is co-operation between the railroads, a campaign of education. Our organization has been doing good work along these lines during the last four years, and we stand ready now to join with the railroads in co-operative work of the broadest

character, but to obtain a measure of success in this direction, which is very plainly needed, and which I am optimistic enough to believe is possible, we must have the executives on both sides thoroughly enlisted in the campaign. I should be very glad, indeed, to have an opportunity in the near future to discuss this matter with you personally and to have the benefit of your counsel regarding some plans which we are formulating for co-operative work."

To this letter I received no reply, and so co-operation failed in this particular direction. I mention this incident, not at all in blame of the railroad executive in question, who is of sterling worth, strict integrity, and very remarkable executive ability, held in the highest esteem, but simply to illustrate the point that just as it takes two to make a quarrel, so it takes two to co-operate.

I also mention it for the reason that after a lapse of four years with all of the changes that have come during that time, I am still of the same opinion which I expressed in my reply to that letter which I have just quoted.

That co-operation is valuable and possible was clearly demonstrated in connection with the formulation of weighing rules. As a good many of you gentlemen know the commission conducted under Judge Prouty—it was the last work that Judge Prouty did in connection with the commission before he went on the valuation board—a very elaborate inquiry into the question of weighing of freight by the railroads. They held hearing all over the country. At the last hearing Judge Prouty called me to the stand and said, "We don't want to have to go over and digest all this mass of stuff, or pass upon it, to labor for a long time and lay down rules. Why can't you appoint a committee to get together with a similar committee of the American Railway Association and formulate rules for weighing. Anything you can't agree on put it up to the commission." I said, "Judge, that is a very strong order, but we are ready to do our part. I will appoint the committee, but I will give you notice right now that the two interests are tremendously far apart."

The committee was appointed and at the first session they were just as far apart in the ideas of proper weighing rules as Maine and California. There were over six or seven meetings of that committee held. Each time they succeeded in getting a little closer together. At the seventh meeting, at which I was very fortunate in being present—I hadn't been able to attend all of them—when we got through with the meeting and were ready to adjourn to a dinner we had absolutely agreed on every solitary weighing rule, except a very trifling one of what the tolerance should be, whether 500 or 1,000 pounds. That was the only thing that went up to the commission for arbitration. I mention that simply as showing that co-operation can work even between such diverse interests as the shipping interests and the railroads.

There is another matter of mutual interests to the shippers and railways in connection with the transportation problem of most vital importance, of which I would speak very briefly. It is my sincere belief that one of the most important factors before us in the solution of our present transportation problem is the fullest possible utilization of existing waterways, and that necessary improvement to these waterways should be made with the least possible delay. We need to make use of our water carriers for the transportation of heavy tonnage and we will need to do so infinitely more when the war is over and we are facing, as face we must, the most bitter competition that this country has ever known. The manufacturing concerns abroad with whom we shall have to compete are using water carriage to the very fullest extent. They have secured the very highest efficiency along that line and in addition to that they have an intensity of co-operation such as in this country is considered a crime and is forbidden by statute. To meet this high efficiency and perfect co-operation we in this country must avail ourselves of every possible plan for cheap-

ening our manufacturing costs so we may hold our own in the world's markets. So we must, wherever practicable, move our cheap and heavy commodities, raw materials, by water.

I can best illustrate this point by a personal experience of my own company, the Pittsburg Plate Glass Company. We have a coal mine of quite large capacity at Creighton, Pennsylvania, about eighteen miles north of Pittsburg. We have a sand digging plant at Logansport, Pennsylvania, which is thirty-five miles north of Pittsburg. We have two large plate glass factories at Ford City, forty miles north of Pittsburg, and a silica sand producing plant at Camerdel, forty-five miles north of Pittsburg. All of these operations are on the Allegheny river. We supply our factory at Ford City with coal from our Creighton plant and with sand from Logansport and with silica from Camerdel, with coal from Creighton, via the Allegheny river and thereby save considerable freight. I might add that for our plate glass factories we are obliged to freight sixteen tons of raw materials for every ton of finished product, so that the rates for freight that we have to pay on our raw materials are very vital with us. Fifteen years ago, when we had to go from gas to coal at Ford City, we had a mine ten miles north of Ford City. The rate when shipped in railroad cars was thirty-five cents a ton and in our own equipment was eighteen cents a ton. Both rates were absolutely reasonable and fair. In the making of rates however, the commission forbade the use of any but the carrier's car, or, in other words, imposed the same rate whether you shipped in your own car or used the railroad company's car. The railroad company had been absolutely satisfied with the rate of 18 cents a ton when we furnished the car and the terminals at both ends. All the railroad company had to do was to haul it from one terminal to another, ten miles collecting eighteen cents per ton. It was very remunerative and the railroads would have been glad to continue that rate. But the Interstate Commerce Commission made a finding a few years ago that individual cars would have to be treated exactly the same a railroad cars. Therefore, the railroad companies had to cut out those rates. The Interstate Commerce Commission made a ruling not long ago that the rate for any five miles should be applied as a yardstick to determine the rate for any other five miles. That necessitated the railroad companies readjusting their rates because it was manifestly impossible for them to pull the cars through terminals and over the costly and complicated tracks of the cities for the same amount of money that they could pull those cars over five miles of a straight stretch in the country. Therefore, the railroad company had to cut out a rate which had been very remunerative for them and very satisfactory to all concerned.

We are very anxiously waiting for the water system in the Allegheny river, and when it is completed we shall have a tonnage of over a million tons a year to move in the river and we will be able to move it in the river for about one-quarter of what it costs us now.

In conclusion, I want to offer a few suggestions regarding the practical operation from the shippers' standpoint. I would say do not heap any unnecessary abuse on the railroads and their management. Look on the other side a little. Quit going to the commissions or courts with every fancied grievance. Railroad officers are kept so busy now attending hearings and answering complaints that they have no time at all to attend to their natural duties. Try to get a real conference with them and you may find out that you are wrong. On the other hand, you may be able to convince them that you are right, and in any event when you settle your grievances in that way it always leaves both parties with a much better taste in their mouths.

Load cars to carry to their full capacity. Load cars promptly. Unload them promptly, even though it may be cheaper to pass demurrage. There have been a number of bulletins sent out broadcast over the country seriously questioning whether the shippers are doing their full duty in this

regard. Look into this question carefully and if your neighbors are not doing their full duty in this regard, get after them.

In this connection I want to read a letter. It will not take but a few moments. The hour is late, but I hope I am not unnecessarily detaining you. I think this will be of particular interest to the railroads and shippers.

This letter is from Mr. W. L. Clause, of our company, and is addressed to the President of the Merchants and Manufacturers Association in reply to an invitation to a meeting which they had in Baltimore, a conference to discuss this Newlands joint committee on Interstate Commerce. He declined the invitation to attend the meeting and then said:

"While I still recognize that there are still many evils to be corrected, I am beginning to wonder whether we are not approaching the time when we are in danger of going too far in our endeavor to exercise control over our railroads. Is it not time to take cognizance of the fact that the Interstate Commerce Commission is not the only power exercising control? Most of the gentlemen gathered at Baltimore will be business-men. How many of them would want to start in business if the rates of wages and the conditions of employment were so controlled that the cost of their output was largely a matter outside of their control and if at the same time the prices at which they could sell their commodities was a matter in which they had little or no voice? How many of them do you think would care to remain in business, and in case they could not get out, how many of them do you think would feel very much interested in improving or extending its facilities? Certainly, under such conditions, no one not already actually in business would care to start any new enterprise.

"To what extent is the present lamentable break-down in our transportation facilities due to the underlying causes above referred to? I don't suppose anybody knows very definitely to what extent that may be the case, but isn't there probability enough of their being an intimate relation between the present inadequate condition of the equipment of our railroads, and the fact that the officers of our railroads are no longer in control of our transportation facilities to any very marked extent, to make us pause and perhaps look at this problem from a somewhat different standpoint. That the railroads themselves are largely to blame for the necessity of exercising some measure of control cannot be denied, but as all movements in public sentiment and in reform swing too far, and have to recede, are we now rapidly approaching the time when the swing of the pendulum in this movement should be checked?

"It may throw some light on the present status of those problems if we very briefly review the early history of our railroad building. Very few of our railroads were profitable investments when they were first constructed. The resources of the country through which they passed were undeveloped, the revenues in most cases were insufficient to pay for the upkeep of the roads, and equipment, and provide interest for the bonds and most of them went through bankruptcy and had long periods of lean years before they ultimately reached the point where they could pay even 5 per cent or 6 per cent on what would have been a fair valuation of their assets. Of course, the investors had hopes of very handsome returns. Or they never would have built the roads. To be sure, the public had just ground for grievance against some of them because of the stock-jobbing schemes that were employed and because of many of the methods of discrimination that were followed, but just the same, had it been known in advance that no larger returns would ever be made, and that ultimately, even if they could be made, would not be permitted because of government regulation, most of our railroads would never have been built by private enterprise. Could any group of men today be induced to build a trunk line railroad for the purpose of competing with those already in existence,

with all the risk of losing their money, knowing that, from the beginning, at best they would have a long period of unprofitable operation, until the natural resources along their line should be developed, and knowing from the beginning that in no event would they be permitted to earn more than a mere five percent or six percent on their investment?

"With a knowledge of those facts before us, does anyone suppose that if the conditions now imposed had always existed, our railroads would ever have been built by private enterprise? Is it not, therefore, a matter of great good fortune to the country that our railroads were built before these restrictive conditions were imposed?

"If the conclusions above reached are measurably correct, do they not also apply, although in a somewhat lesser degree, to the problems involved in increasing the facilities and equipment to meet the ever-increasing necessities of the public? How far is the present shortage of cars and equipment due to this condition? If our railroads are deprived of the opportunities to make money enough to enable them to provide additional trackage and equipment sufficient to meet the growing demands of our country, how are these necessities to be provided for, and how is our country to continue its development? We all decry government ownership, but are we not in danger of creating conditions that will force it upon ourselves? We know something of how the red tape, politics, inefficiency and increased cost of operation resulting from government ownership would ultimately affect rates, and the service rendered, but even more serious would be the fact that government-owned railroads would always lag behind necessity. Needs for additional trackage, terminals and equipment would never be anticipated. We all know that it is hard enough and many times impossible, to get Congress to do a thing, even after the necessity for it has been long apparent. Hence, our railroads would never be ready for a great business movement when it came. The ills we now have are as nothing compared with those we would have under government ownership. It is time to be careful."

I gave some "don'ts" for the shippers. I want to be perfectly fair and give some "don'ts" to the railroads.

To the railroads I would say, don't sit calmly down and say the blame for the present condition is all with the shipper and receiver of freight, that if they would do their duty there would be no congestion and no shortage. Look on the other fellow's side a little and you may find not only that the shippers are not so black as you have painted them, but you may even discover that you are not so perfect as you thought you were and that you can make further improvement in your service. Above all, quit fighting the improvement of waterways and don't endeavor to drive the waterways out of business. Water carriers of heavy tonnage are imperatively needed in this country and it is bound to increase in volume. You are certain to share from this increase and from the benefits that are to come, from the increased tonnage carried by water if the inland system of transportation is improved.

I thank you. (Applause)

Mr. Samuel L. Orr: In the absence of Mr. Murphy, who was called out, I want to take this opportunity of thanking Mr. Belleville for his very able address. We will stand adjourned.

FRIDAY EVENING SESSION.**December 15, 1916.****Vendome Hotel, Evansville, Ind.****Banquet.**

Mr. J. R. A. Hobson presided as Toastmaster.

Toastmaster: The Chairman of the Resolutions Committee is now prepared to present resolutions.

Hon. Benjamin Bosse: Mr. Toastmaster, ladies and gentlemen, and delegates to this conference: The Committee on Resolutions reports the following resolutions:

We, of the Central States Conference on Rail and Water Transportation, representing business interests of Indiana, Illinois, Kentucky, Ohio, Tennessee and Missouri, in session at Evansville, Ind., recognize that the transportation facilities of the country during recent years have not kept pace with the growth and expansion of commerce. Present facilities are inadequate and bid fair to prove even more so in the near future unless conditions are remedied.

Therefore, Be It Resolved by this body in conference assembled:

1. That in view of the manifest need for constantly increasing transportation facilities to meet the rapidly growing commercial needs of the country, we favor constructive action by Congress at this session upon this subject.

2. We urge that steps be taken to give substantial assurance to investors of the safety and earning power of their funds invested in railroad securities, thus attracting new capital to further railroad expansion.

3. We favor exclusive federal supervision of the issuance of securities by the carriers of interstate commerce.

4. We favor the federal incorporation of the carriers of interstate commerce.

5. We favor the enlargement of the Interstate Commerce Commission with a division of the duties in order to avoid conflicting functions of detection, prosecution and adjudication.

6. We favor federal regulation of railroad rates, authority to be vested with the Interstate Commerce Commission with regional sub-commissions sitting in various traffic districts and that this regulation follow the natural lines of commerce and not the artificial lines of states.

7. We favor the maintenance of State Public Utility Commissions and we urge that such state supervision be standardized and the regulations as far as practicable be made uniform as between the various states of the union.

8. The sentiment of this Conference is against government ownership, but in favor of a sound and efficient basis of government regulation, beneficial alike to the common carriers, to the shippers and to the public. We urge constructive action on the part of those in authority that will safeguard the interests of investors and will also bring to the shippers and to the public the furnishing of additional equipment, the building of better terminals, additional double track and new mileage where needed, and, in consequence, the greater development of the commercial life of the nation.

9. We enthusiastically advocate the improvement of our ports and inland waterways and waterway terminals as an important subsidiary part of our transportation system.

10. We recommend that business-men throughout the country assemble in regional meetings such as this to discuss and digest the trans-

portation problem and other vital national questions as they may arise, having all sides of these questions presented by high authorities representing every phase of the subject." (Applause)

Mr. Toastmaster, on behalf of the Committee on Resolutions, I offer a motion that these resolutions be adopted as read.

The motion was seconded from all over the house.

The Toastmaster: The motion is made and seconded that these resolutions be adopted as read. Is there any discussion?

Mr. W. H. McCurdy: I would like to have the second and third paragraphs read again.

Mr. Lawrence Finn (Kentucky): Mr. Chairman.

Mr. W. H. McCurdy: I yield to Mr. Finn.

The Toastmaster: Mr. Finn of Kentucky, has the floor.

Mr. Lawrence Finn: Mr. Toastmaster. I understand, sir, that the program will include conversations over the telephone from the various portions of this nation at stated intervals and that that time is now almost at hand. I desire, sir, to present to this audience and to this assembly some facts, which according to my notion, are very urgent. I do not speak without authority. For nine years I have been chairman of the Commission, a member of the Commission of the State of Kentucky, and for six years I have been its chairman. I want to state to this assemblage, furthermore, that there is an organization in the United States which is composed of all the railroad commissions of this nation—

The Toastmaster: If the gentlemen will permit me to interrupt him.

Mr. Lawrence Finn: This Commission is composed of the state commissions and the Canadian commissions, and I want to state further that in that organization I have had the honor of being chairman of the Committee on State and Federal Regulation. I have had the honor of being Chairman of its Executive Committee.

The Toastmaster: If the gentlemen will allow me—

Mr. Lawrence Finn: I have been vice-president and president of that organization. (Applause)

The Toastmaster: If the gentleman will allow me to interrupt him for just one moment—It is not purposed that these resolutions be passed at this time. We simply wanted to read the resolutions and if there is any debate on them an opportunity will be afforded before the resolutions are offered for passage.

Mr. Lawrence Finn: That is all I want, Mr. Toastmaster.

The Toastmaster: If the gentleman will allow me to interrupt him, I will call upon him first when the resolutions come up for consideration.

Mr. Lawrence Finn: Thank you.

The Toastmaster: We wish to give an opportunity for their consideration in the meantime.

Ladies and gentlemen, it is now necessary that we proceed very rapidly with our program and we will consider the resolutions after the program is completed and after this telephone demonstration has been ended. In order to expedite the program and to leave ample time for the consideration of these resolutions the program will be changed in this particular. I am going to introduce the last speaker on the program now, and we will start the telephone demonstration on the minute as scheduled.

It is now my pleasure, ladies and gentlemen, to introduce to you one of the authorities on the subject which we have been discussing in our conferences, a gentleman who was born in Missouri, who has lived a number of years in Texas, and who has lived a larger number of years in Colorado, who is, therefore, from the West and from the South and from the Middle West and who is of New York, but from Missouri, Mr. Frank Trumbull. (Applause)

The American Railways.

By Mr. Frank Trumbull.

Chairman of the Railway Executives' Advisory Committee on Federal Legislation.

Mr. Toastmaster, ladies and gentlemen, I believe the subject assigned to me this evening is The American Railways. You will agree at once, I am sure, that this is a very large topic. The railroads of the United States have 250,000 miles of main line. They are capitalized at about seventeen thousand millions of dollars. Notwithstanding what you hear about watered stock or about individual caprices of single roads, we stand firmly on the proposition that the railroads of the United States as a whole are worthy of their capitalization, all they are capitalized for, and more too. (Applause) They are the lowest capitalized railroads in the world, notwithstanding the high costs in this country. They furnish the lowest rates and they pay the highest wages. Whatever may be said about individual transgressions here and there, the railroads of the United States are a tribute to the private energy and daring of Americans. (Applause)

There have been practices in the past which speakers are quite fond of adverting to. They are not right, practices of both railroads and shippers, but many of them—most of them have been cured, shippers and railroads alike. Today, the railroad business of America is as honest as any business. There has been a tremendous improvement in the last ten, twenty years in commercial integrity and the railroads have shared in that movement.

Now, there is one thing that differentiates the railroads from other industries. You know what it is, but most of us do not stop to think of it when we are considering these questions, and that is that the railroads are under minute regulation. I mention that in the beginning because it colors the consideration of the whole subject.

I can give you no better illustration perhaps than the steel business. The United States steel corporation has increased the wages of its men 33 per cent in eleven months, but their prices are not limited as railroad rates are limited. They have put up the price of steel rails \$10.00 a ton and railroads must have steel rails. It would not be safe for you to leave here on a railroad if they quit buying steel rails.

The profits of American railroads in this, the most prosperous year of their history, the net earnings after deducting expenses, taxes, repair of equipment and rentals, were less than six per cent on the seventeen million dollars which I mentioned, and railroads, like other people, have to compete for capital. The last year one company alone, one private company, not under regulation, the Ford Motor Company, of Detroit, earned \$60,000,000 profit, 3,000 per cent on its capital stock. One company alone earned one seventeenth of the profits of the American railroads, excluding the smaller lines.

The Bethlehem Steel Company, its president told me the other night, earned \$60,000,000.

Now, this is the point I want to get before you tonight. This limitation, this artificial limitation upon railroad profits, makes it difficult to deal with this question and various other questions; and in saying that I am not at all finding fault with regulations. The railroads of this country accept the principle of regulation; but the railroads ask that it be made unified and consistent. Regulation, like railroad management, should

be honest, and both of them should be more than honest: They should be competent.

Now, I had the great pleasure this afternoon of hearing my friends, Mr. W. G. Lee and Mr. Walsh, make very interesting statements to this conference. I had thought that I might tell you something of the history of the so-called eight-hour act, but Mr. Lee made such a splendid statement of it that I need not take up your time. I only want to say one or two things, not at all in any controversial spirit, but merely as a matter of accuracy of the record, and because my host has said that they want to hear both sides of everything.

In the first place, Mr. Lee made a statement which I am sure he thought was true, that the railroads spent three-quarters of a million dollars purchasing space in the newspapers and buying editorials. I know Mr. Lee thought that or he would not have said it. He said that they made a contract with one concern for three-quarters of a million dollars. The fact is that the highest contract made was not over one hundred thousand dollars, and the total cost was only about three hundred thousand dollars.

Now, as has been said to us, time and again, "you railroads make a mistake in not getting your case before the people. You ought to take the public into your confidence. You are public servants. It is your duty to get your facts before the public, to tell them what the facts are, so that they may deal intelligently with you." And we felt it was perfectly straightforward and consistent to purchase space in the newspapers and tell the story, first because we think the public wants us to do it and, second, because we do not want anything from a newspaper man for nothing; and I leave it to Mr. Murphy whether any railroad man can purchase editorial space in any newspaper in the country of any note.

Mr. Henry C. Murphy: I am glad to answer that point. I wish to correct Mr. Lee, or submit my idea. At the time I think he inadvertently erred in saying that newspaper editorials can be bought. I doubt if there is a newspaper of any standing in the United States that would sell its editorial space. (Applause)

Mr. W. G. Lee: May I interrupt just for a moment, with the speaker's permission?

Mr. Frank Trumbull: Certainly.

Mr. W. G. Lee: I hold in my office copies of letters sent out by the publicity department of the railroads, typewritten, or printed, all addressed to the editors, which says: "We have placed with your company through our publicity department, certain advertisements telling our side of this controversy. We would like to have you write editorials commenting on your viewpoint of that statement and send us marked copy." Now, gentlemen, my understanding is that if I bought space from a newspaper and then sent it a letter and asked it to write an editorial on my advertisement, that I would naturally look for it to do so in my favor. (Applause)

Mr. Henry C. Murphy: Mr. Trumbull, if you please, I just want to say one word in answer to that. If Mr. Lee will give me the name of that paper, I guarantee that the name of that paper will be branded in the American Newspaper Publishers Association as a pariah. (Applause)

Mr. W. G. Lee: I will send you the printed copy, Mr. Murphy. I will send you the printed copy, and I presume that it went to every newspaper in the United States where their advertisements were published.

Mr. Henry C. Murphy: We are performing a public service then if we expose those papers.

Mr. W. G. Lee: Exactly, exactly.

Mr. Lawrence Finn: Mr. Toastmaster, I hold in my hand the account of Clifford Thorne's address—

The Toastmaster: If the gentlemen will pardon me, Mr. Trumbull has been invited to make a talk to the banquet as assembled here this evening. We haven't the time for debate at this time and we propose to give you all the opportunity to say whatever you please after the program is completed.

Mr. W. G. Lee: Mr. Toastmaster, I humbly beg the pardon of Mr. Trumbull, and we are such good friends that I know he will accept it. I will not interrupt him again.

Mr. Henry C. Murphy: Neither will I.

Mr. Frank Trumbull: I would like to ask Mr. Murphy as an editor what answer he would make to that letter. I know what answer I would make.

Now, Mr. Lee said that they would not arbitrate because seventy-five railroads were not included. There were more railroads than that that were not included, but there was no way of coercing them in. This is a voluntary arrangement between the railroads.

Another thing he did not mention, which was most important, was that within three days after they got to Washington the National Conference Committee of Managers offered to the President of the United States to leave the whole thing to a commission to be appointed by him, thereby putting the railroads of this country unreservedly in the hands of the government. (Applause)

Now, I might say other things. It is evident that this Adamson law does not suit anybody. (Laughter and applause) The brotherhoods have had a look-in on regulation. They have been invited to sit down to the banquet and they do not like the first course.

Mr. Lawrence Finn: Who don't?

Mr. Frank Trumbull: The brotherhoods. It does not look good to them. It does not look good to anybody. Because when they start in on the regulation of wages they know it is a long road. If they can compel the increase or decrease of wages they can apply it to all employes of railroads.

Mr. W. G. Lee: Exactly, president and all.

Mr. Frank Trumbull: President and all.

Mr. W. G. Lee: That's it.

Mr. Frank Trumbull: Their situation at the moment and ours remind me of the Episcopal clergyman who tried to start a colored Episcopal church down South. He got the school house full of niggers and at the right moment came out from behind the curtain clad in his Episcopal robe, and one of the negroes said to another negro sitting next to him, "What do you reckon he is doin' now?" The other negro said, "I don't know. It looks to me like Klu-Klux." (Laughter and applause)

Now, Mr. Walsh said this afternoon, and I have known Mr. Walsh longer than I have known most people here, that no intelligent man ought ever to consider a railroad a private enterprise. He criticised that part of Mr. Thom's statement yesterday. All I say is, whether they ought or ought not to have done so, they did consider them private enterprises. What he says and what I say is simply equivalent to saying that we are more intelligent than our fathers and grandfathers were, and we ought

to be because this imperial magician, the telephone, has brought us altogether, a hundred million people. "The world do move." Our point of view is different from that of our fathers and grandfathers in many particulars.

He talked about the railroads fighting legislation. He comes from the state, and I was born in the state in which by referendum the people fought legislation which had been enacted. I refer to the full-crew law, so-called. The legislators enacted this. The railroads did oppose it as they ought to have done in the interest of the investors and in your interest. It went to the people, and the people beat it by 164,000 majority. So that all legislation is not right, simply because it is legislation.

We have heard about the eight-hour law. I will simply mention two illustrations. The railway postal clerks are not limited to 16 hours even, as men in train service are. Only two years ago Oregon, California and Washington defeated eight-hour propositions. But we need not argue that. This Adamson law is not an eight-hour law. Nobody pretends it is. There is not a line in it that limits men to working eight hours a day. The crucial point has not been mentioned in this debate here; that is, not whether men should have their pay based upon eight hours but what shall you pay for it, a direct question. Remember what I said to you in the beginning, that railroads are under limitations and have other concerns. They must sit down and consider where an increase of pay, which was all this was, is taking them and is taking you. Therefore, they had to consider, not only in their interests, as operating the roads, but in the interests of the investors, whether you like it or not, whether you believe in it or not, as the final remedy for this transportation question. The railroads of this country are dependent upon private investors.

We hear about servitude, involuntary servitude of labor. You can't have involuntary servitude of capital. There is not a man in this room will put his money into something he don't want to put it in. So long as you are dependent upon private capital, you must consider, regulation must consider, the officials and directors of railroads must consider what every increase in cost is going to do to them.

Next we had to consider our duty to you as employers of labor. We had to consider our duty to you as shippers. We didn't believe that an increase in wages ought to be granted to any body of men without investigation. We can't get our rates increased without investigation. You don't want us to. If we believed that, how could we look you in the face and go to the commission in Washington and ask for an increase in rates for you to pay for something that we ourselves were not willing to certify to as absolutely right? We had besides a duty to 1,400,000 men. They are human beings just like these trainmen are. The man who walks the track at night in sleet and snow and rain. To protect you on the trains and protect these passengers is a human being. We can't do, because of your limitation on us, all we would like to do for these men, but if eight hours is right for a day's work and the pay must be increased regardless of investigation, why shouldn't it apply to 1,400,000 other human beings?

We hear about human rights in your talks, as rightfully we should. We pay more attention to human rights. We are realizing that we are all paying more and more attention to human rights. We are realizing that we are all knit together in one bunch. But no scheme of regulation is fair, consistent or adequate that leaves out of consideration part of the facts. So that if I may, I want to lead this whole thing into a broader field.

After all, this wage question is only a part of a great problem. The great problem for you and for a hundred million people is not what should be done with the Adamson law, but what is going to happen to your transportation facilities. This Adamson law will be disposed of some way

or other, but your necessities will remain. The business of this country is growing by leaps and bounds, and we are now up against an economic readjustment that will jostle the whole world. We can't afford to lose an ounce. We must make every stroke count, and anything that is wasteful must be cut out. The most important thing to you is an expansion of your facilities. Last year a thousand miles of new roads in three million square miles of territory. What does that mean? You may argue all you please about the increase in the number of investors in this country, but the fact is that money has been going into other things. You have been putting money into other things. Why? Because you can make more money.

Therefore, the broad question is, not a wage question, not what the state of Iowa may do, or the state of Kentucky, or the state of Texas, or the state of Virginia, the broad question is what will best serve a hundred million people who speak one language, whose interests are national and not local, and, if I may just say one more word—the toastmaster wants me to suspend—this Evansville Plan is going to take root and grow. That is, the regional discussion of these things. (Applause) But the solution of this transportation problem is not going to be limited by state lines. There is not a man in this room that is willing to limit his commerce, his commercial opportunities to the state lines of Indiana. It is going to be settled regionally and the system will be uniform. Take for instance, if you have government ownership it will have to be by the federal government, of course. Then what becomes of your state lines? We believe that if the government can take over the railroads successfully, they can regulate them successfully, and they should keep the regulation close to the people and keep it close in regional ways, just as the Evansville Plan contemplates.

I thank you. (Applause)

The Toastmaster: Through the courtesy of the American Telephone & Telegraph Company, not a regional institution, I believe you will be very much entertained and interested in a very few minutes. I have the honor to introduce the vice-president of the American Telephone & Telegraph Company, Mr. N. C. Kingsbury, of New York. (Applause)

“Co-operation”

By N. C. Kingsbury,

Vice-President of the American Telephone and Telegraph Company.

N. C. Kingsbury of New York, vice-president of the long distance lines of the Bell system, officially known as the American Telephone and Telegraph company, spoke on “Co-operation” as follows:

If you and I could trace our ancestral trees back through the ages to dim prehistoric times, we should doubtless all find a common ancestor. For the sake of our personal feelings, I shall not presume to go as far back as Mr. Darwin leads us, but I do want to call your attention to some of the circumstances surrounding the life of our prehistoric ancestor. He probably lived somewhere in Europe or Mesopotamia, and recent studies of archaeologists have revealed the fact, for instance, that a race of human beings inhabited caves along some of the rivers in France for a period extending over something like fifty thousand years.

Let us glance for a moment at a scene which must have been enacted millions of times in the rude habitations of the prehistoric man. We will assume it is late afternoon and that our ancestor has been successful in the chase. He has flesh to eat, perhaps also a few nuts and herbs and berries which he has gathered in the vicinity of his cave. He has killed the game, dragged it to his cave, dressed it, and now sits crouching over the fire roasting the meat on the pointed end of a stick. It is all his; the entire benefit belongs to him alone, and he is going to enjoy that meal just as much as you and I will enjoy the elaborate banquet of which we are to partake.

Let us look for a moment at another scene, more familiar to us all—the average American family seated at a table in the average American home, about to partake of the average American meal. There is the table covered with the white cloth, the utensils made from porcelain, steel, glass and silver, and there is the food—bread and butter, milk, tea or coffee, salt and pepper, sugar, meat, vegetables, fruit, etc.—and scarcely anything which I have mentioned is the direct result of the labor of any person who sits about that table.

These two pictures present an antithesis, in that they illustrate the difference between the condition of man

having no co-operation with others of his race, and the condition of man familiar to us all, where co-operation does exist.

Our prehistoric friend has for himself all the profit arising from his own acts. No ranchman out west raised the animal from which he makes his meal; no railway company derived a profit in transporting that animal; no packer reaped a profit in preparing the animal for his use, and no middleman took another profit in selling him the necessities of his meal. He did it all; the profit was all his; he was absolutely independent. What a blissful existence his must have been!

Now, if there is a man here who considers himself independent, I should like to follow this train of thought a little further and ask him a few questions. When you sit down to a meal, did you ever think who provided it? Why, you don't even know, in most cases, where the different components of that meal came from! Did the salt and the pepper drop as manna from heaven? Did the flax or the cotton which forms the table cloth grow upon the home place? Were the fibres spun into yarn by the housewife, and was the cloth woven on the household loom? Did the man about to partake of the meal rear the animal which supplies the meat for the repast? Who delved into the earth for the silver, the steel, the lead, the clay, which have been used to make up the utensils necessary for our most simple meal? Did the fruit come from the home orchard? Are the milk and butter the products of the family cow? And did the hired man go out before dinner and gather the various vegetables from the garden? No thoughtful man can consider such questions without being impressed with the utter dependence of even the most independent man in our present civilization upon hundreds of thousands of his fellow-men whom he has never met or never heard of, all engaged in some occupation different from his own and scattered about not only all over his own country but many of them located in far distant parts of the earth!

It makes no difference what vocation a man follows. He may be a farmer, and cause two blades of grass to grow where only one grew before. He may be a manufacturer, a mer-

chant, a professional man—no matter what he is, he depends for his very existence not only upon those who till the soil and deal in its products, but also and to the same extent upon the great organizations of finance, transportation, communication, manufacture, which are scattered about all over the earth.

Our prehistoric ancestor, crouching alone in his dismal cave, had about him in the world all of the materials, all of the forces which have been used to produce this banquet here this evening. The one thing he lacked was co-operation with his fellowmen and co-operation with the forces of nature, and the difference between his lot and ours is the illustration which I wish to bring to your mind of the supreme necessity for cooperation.

The point I want to make is this, that it has taken the combined efforts, the co-operation of thousands of people and organizations concerning which we may know nothing, to bring about the development of a farm here in the Middle West or anywhere else, and it has taken the combined efforts, in exactly the same fashion and to the same extent, to bring about the building and development of a railway or a steamship line or a financial institution or even of a telephone company.

Someone may say, "I am a farmer, I am in the agricultural business. What do I care about railroads?" To me the answer is obvious. Without the means of transportation, the products raised by any man must either be consumed by him and those immediately dependent upon him, or else they are absolutely worthless. He may say, "What do I care about the great financial institutions in New York or Chicago or Evansville or anywhere else? Do they do me any good? Do I use them in cultivating my land, in manufacturing my product, in selling my professional services?" The answer to all these men is just as obvious. It requires those very financial institutions to gather together the people's money and put that same money, still belonging to the people if you will, back into the various complicated processes involved in supplying capital necessary for the harvesting, the transporting and the marketing of the product of the farm or the factory or the professional man's office.

Another thought, my friends, comes to me in this connection. It requires capital to do all of these things, and I believe it is a true saying that there is only one source for capital and that source of profit. If you could conceive of a world of business organized in such a manner that no element in that world of business could make any pro-

fit, I cannot figure out how under such conditions there would be any capital. Does it not therefore follow that in all this co-operation which is absolutely necessary in our present civilization we must allow to the other man his modicum of profit if capital is to be produced and gathered together from many different sources, so that our own enterprise may in turn have its success and its share of profit?

I am told that when the first great war loan was negotiated between England and France on the one hand and our great financial institutions on the other hand, there was no profit in that individual transaction to the bankers who underwrote the loan. But we all know it helped us all. We had billions of bushels of corn, wheat and oats, thousands of horses and cattle, all for sale. England and France wanted and needed them. There was only one way in which they could get them. They had to have not only the money to make payment, but they had to arrange the medium, the machinery of exchange. Take away this machinery, take away the banks, the trust companies, the financial institutions, and your crops would rot in the fields and in your granaries.

One might say, "What do I care about a telephone company? What has that got to do with my business?" The answer is just as obvious again. The necessity for communication in this age of the world is just as real as the necessity for clothes or food or transportation, or, in other words, the economic value of the thing which you produce and the economic value of the thing that I produce both depend upon the value of ten thousand other things which millions of other men produce, and you cannot destroy the economic value of one without impairing the economic value of all. Neither can you increase the value of the farm product without increasing the value of the railroad, the telephone, and of the bank.

I am aware that none of these observations are new. They are, of course, fundamental. But it often seems necessary to reiterate, because we are by nature selfish, and some particular matter connected with our own vocation appeals to our selfishness to such an extent that we naturally incline to better ourselves at the expense of the other fellow. But if I understand the history of economics correctly, if I perceive rightly the great general laws of human conduct and of commerce and business, I must say it is my firm conviction that no man or group of men or class or section of the country can secure a benefit at the expense of others, which

will remain a permanent, lasting, real benefit. When such a thing is tried between individuals or firms or corporations, unfair competitive conditions develop. When it is tried between classes we witness industrial disputes, strikes, even civil war. When it is tried between nations, sooner or later international war destroys a generation of men as it is doing in Europe now.

It sometimes seems as though even with all the facilities for transportation and communication which exist in this country we still have a tendency to mistrust each other, to fail to co-operate, to drift apart. I hear people in the middle West and in the far West and in other parts of the country, continually, say slighting things of New York, and I hear people in New York say slighting things of other parts of the country. Such feelings should not exist, such remarks should not be made. If there is one thing clear to me it is that New York needs this great western country behind it and that it could not exist for one day as New York alone, and it is equally clear that the relation which New York bears to the rest of the country is just as important, just as necessary.

The men who adopted the motto of the United States made popular a Latin phrase which expresses vastly more than the idea that the United States is made up of the union of many states. "E Pluribus Unum" has a much broader application than the narrow political one.

Now, one of the great results of this necessary cooperation, this interdependence which we have been considering, is the fact that we have all become specialists along one line or another. There has been during the past ages a gradual evolution in the direction of specialization. Just as soon as one man produced more of a commodity than he and his dependents could consume and the surplus was bartered to somebody else, that man became a specialist in that particular thing which he was producing and bartering, and the man to whom he bartered or sold his surplus likewise had a surplus himself of something else which he had produced and could not use. And as time has gone on the surplus which one man could produce above his own personal requirements has grown greater and greater, and the specialization has grown more and more intense, until we have arrived at this status of absolute interdependence, requiring the greatest degree of co-operation.

The great danger is that people specializing in one line of endeavor

will not know enough or care enough about people specializing in other lines of endeavor to understand their problems and difficulties and purposes and ideals, and that our social body will become so broken up into factions that disintegration due to warring interests will undermine and destroy much that man has painfully labored to build up during the centuries since the Dark Ages.

Such class selfishness caused the fall of the great Roman Empire. The cities had grown rich, luxurious and populous. The country grew less and less attractive. To support the excess of the cities, the rural districts were overtaxed, agriculture languished, and gradually brigandage developed and became more profitable than tillage. The country was harassed by marauding bands, and was in no condition to withstand attack. The city hated the country, and in turn was hated. Class was pitted against class. Internal weakness, not external strength, destroyed the Roman Empire.

We must all consider each other. We must not be like the old dorky in the South who, while hoeing one day, saw something projecting a little way in front of him he took to be a toad, and raising his hoe, he struck the old toad sharply and then discovered that it was his own big toe which was protruding from the soft earth. And as the toe bled and smarted and hurt, he said, "Smart away, old toe, 'case it hurts you worse than it hurts me anyway." Now, it is exactly that sort of philosophy which is the dangerous philosophy in this country, and indeed, all over the world, today.

And so, I repeat, we are all specialists, you in your business, I in mine. But you are my brother and my keeper, and my full final success depends upon your help and sympathy.

And I am your brother and your keeper, and your full final success depends upon my help and my sympathy. You have the franchise and you vote for things which affect me. I have the franchise and I vote for things which affect you. And if we do not know something of the problems of each other, and have some sympathetic interest in those problems, then, gentlemen, I believe we have no right to exercise that franchise against the interest of each other, both of us being free men.

If you have helped to build up a business which is serving its purpose, it is my duty to help you in the protection of that business. Let us not, therefore, become so thoroughly specialists that we forget the other fellow. If our work narrows down, at least let our knowledge and sympathies

broaden. If some other interest seems to tread on our interests, let us try to get together and talk things over and reason them out. Let us try something constructive instead of destructive. Where the constructive method is applied, peace, prosperity, happiness and long life follow. Where the destructive method is applied, we have bickerings, contentions, strikes, financial loss, war, confusion, unhappiness, death and mourning. I believe, my friends, that all the difference between Europe today and Europe in July, 1914, can be measured by applying the rule of cooperation.

But I must not forget that I am a specialist, and I do want to tell you something about the telephone business.

This crude device which I hold in my hand is an exact replica of that through which a young inventor first spoke on March 10, 1876, in a little attic room in Boston. That date marks the very beginning of the telephone. His words were the first ever carried over a wire. He was unknown, to science and to the world. You all know his name is Alexander Graham Bell. He had an assistant, his electrician, his mechanic, Thomas A. Watson—the only telephone engineer in the world at that time—and Mr. Watson heard this first message in an adjoining room under the same roof, a hundred feet away.

That was in 1876. The year 1915 was also a most important year in the development of the telephone. It marked the completion not only of the Panama Canal and the joining together of the Atlantic and Pacific oceans, but it marked also a still closer union of the East and of the West, of the North and of the South. San Francisco seemed to move up nearer to New York, New Orleans nearer to Boston, and indeed, all of the states and cities of this broad land seem to come closer together by the medium of communication through human speech. Co-operation became easier.

The history of science has recorded no more dramatic moment than when, on January 25, 1915, the venerable Professor Bell lifted the receiver from the hook in New York and called to Watson, the friend and fellow-worker of his youth, in San Francisco.

There was a great story behind that first transcontinental "hello"—a story with years of ridicule at its beginning, strenuous effort and much discouragement, then years of great development, of success, and finally this dramatic realization of hopes entertained at the very beginning of the business. The first voice that ever sent a telephone message over a wire spoke in

New York, and the first ear that ever listened to a telephone message heard in San Francisco. In 1876 the young inventor and his associate had just produced and were using the only telephone in the world, and were with difficulty talking over a few feet of wire. In 1915 they realize that their simple contrivance is the progenitor of a vast system operating over nine million telephones, connected by more than twenty-one million miles of wire and joining together the country's greatest and most distant cities, serving the uses of a hundred million people. And not only has this great development taken place in this country, but a similar, although a much lesser development, has taken place throughout the world as a result of their pioneer work.

Dr. Bell gave this crude device to the art of telephony. It was enough, and served a mighty purpose. The telephone engineers are co-existent with the telephone. They have developed this, which was considered merely as a toy, and they have developed themselves in the process. They have bridged that mighty gap measured by the difference between transmission over one hundred feet, and transmission over 3,400 miles of wire.

Few know of the difficulties which these men have had to overcome, or the nature of the forces with which it has been necessary to deal. The problems have been too intricate for the outsider to understand or even realize. There have been no great masses to move. No immense weights have been handled. Nothing which the outsider could see or feel or understand has taken place. But all this time the telephone engineers have been dealing with the most occult forces of nature in infinitesimal fractions.

The railroad companies and telegraph companies had built many lines of wire across the continent from New York to San Francisco, so that the mere physical construction of a line across the continent involved no new engineering problem. What the telephone engineers had to do was to construct a line of wire over which one could talk when once it was built, which would carry sound three thousand miles with nothing but breath as the motive power.

The speed of the voice across the continent is very difficult to measure. It is practically instantaneous. A fifteenth of a second is about as nearly exact as it can be measured. Now, the speed of sound in the air is 1,160 feet per second, while the speed of sound transmitted through the medium of the telephone is about 56,000 miles per second. As an example of just

what this means, let us assume that we could put our heads out of the window here in Evansville and shout loud enough for the voice to be heard at San Francisco. It would require over three hours for our shout to be heard on the Pacific Coast.

What does the telephone really transmit? You will doubtless all answer, correctly, that it transmits a series of sound waves. These sound waves are created by the human voice in the air at the rate of about 2,100 per second. They strike against a metal disc in the telephone transmitter and are there transformed into electrical waves, and these electrical waves rush along the path provided for them over the wire to the telephone receiver at the other end, where the electrical waves are re-transformed into sound waves of the same character as those originally produced by the speaker's voice. These millions and millions of tiny waves vary infinitely in shape, they transmit the timbre, the intonation, the minutest individual quality of the human voice. They are as different from each other as are the waves of the sea, and they must not tumble over each other or splash about or get in each other's way, but must break on the Pacific coast just exactly as they started out here in Evansville. If they do not, the telephone line is of no use whatever. In all this vast distance, there must be no imperfection in pole or crossarm or insulator or wire or switchboard, or any other of the thousands of elements which enter into construction. If there is a break or disarrangement of the thousandth part of an inch, the currents and waves and words do not reach San Francisco as they started, and the sound is unintelligible.

The telephone engineer has no way in which he can increase his motive power. A mere breath against a metal disc is all that he has to work with. The task, therefore, is so delicate as to be gigantic. In his "History of the Telephone," Mr. Herbert N. Casson uses a very striking figure to illustrate the extreme delicacy and weakness of the energy employed in a telephone message. He says:

"The energy which is set free by cooling one spoonful of water just one degree releases sufficient power to operate a telephone for 10,000 years."

And another example: It is said there is in an ordinary sixteen-candle-power incandescent electric lamp sufficient electrical energy to operate ten million telephones!

These illustrations will give you a good idea of the real problem of the telephone engineer. This minute baby

current of electricity must literally be coaxed across a continent. Nothing must retard it, interfere with it, destroy it. It must go under rivers and over mountains, through blistering heat and bitter cold. This is the work which was begun in Boston, as we have seen, forty years ago, and mile after mile in distance of transmission has been gained, city after city has been brought into instantaneous communication, until the goal of transcontinental telephone has been reached.

You may well ask, what man made this great achievement possible? The answer is easy—no one man did it; ten thousand different men. Starting with Bell and Watson, an army of patient, industrious men have devoted their lives to the problems of telephony, striving day and night for one great end. And that end was not the perfection of this great transcontinental line, great though that achievement may be. That end was and is the perfection of a system of which this line is but a very small part, and that system is devoted to the conquering of time and space for the benefit of the people of this country and the world. In office, laboratory and shop, under the earth, high up in the air, these men have thought and experimented and toiled, always aiming toward the accomplishment of this great idea of universal service.

When this crude device left the hands of Bell and Watson, in the eyes of the law it was an "essentially perfected instrument." It was claimed for it that it would transmit speech, and it did transmit speech, and that was all. This diaphragm is simply a piece of animal membrane tied around a hollowed block of wood and in touch with a magnet. From this acorn, the oak of the Bell system, nation wide, and all the telephone systems in the world, have grown. This instrument is the beginning of the transcontinental line. It forms the first step in a great evolution. We shall witness tonight the cumulative effect of thousands of improvements, some great, some small, in telephone, transmitter, line, cable, switchboard, and every other piece of apparatus or plant required in the transmission of speech.

In all the 3,000 miles which separate us from San Francisco there is no one spot in line or equipment where a man may point his finger and say, "Here is the secret of the transcontinental line, here is that thing which makes it possible to telephone from Evansville to San Francisco." Such a thing does not exist. It is rather the perfection at every point that has brought this achievement about. It is the develop-

ment of the transmitter here in Evansville which makes the receiver in San Francisco do its work so well. It is the improvement of the receiver at San Francisco that causes the transmitter in Evansville to perform its functions so admirably. It is, in fact, the perfection of every inch of line and every bit of mechanism between them that enables the instrument in Evansville to talk and that in San Francisco to hear.

The building of the transcontinental line depended on the solution of no one isolated problem, as we have seen, nor will the glory of it be given to any one isolated individual, but there are two names that will always stand out above the rest in connection with it. There must be great generals to lead armies that win victories.

For many years this line from ocean to ocean has been the dream of our president, Mr. Theodore N. Vail, the goal towards which he has pushed and towards which he has steadily led his associates. This has not been an idle fancy of a dreamer, but a prophetic vision. Mr. Vail can see anything in telephony, except impossibilities. He not only cannot see impossibilities, but he will not admit that they exist; neither will he allow his associates to consider them for one moment. "Impossible," is not in his dictionary of engineering terms. Almost from the beginning of the telephone, Mr. Vail's energy and enthusiasm, his dauntless optimism and ambition in everything relating to the perfection and promotion of his idea of universal service, have dominated the company and made enthusiasts of all those related to the system.

At Mr. Vail's side through most of these years has been a slightly built, live, keen-eyed Massachusetts man, who never has to be told but once when a great thing is to be done. A nod, and a line goes to Denver; a word, and it stretches to the Pacific coast. This man is John J. Carty, chief engineer of the American Telephone and Telegraph company. Mr. Carty is indeed a leader among scientific men of all nations and has been repeatedly honored by the rulers of the different nations for his distinguished services in engineering accomplishment, his wide knowledge, keen judgment and indomitable energy. These have combined to make him one of the great factors in telephone achievement and advancement, not only in this country, but throughout the entire world. Others have played big parts in this drama of human endeavor and achievement, and thousands have given their share of thought and labor. Mr. Vail and Mr.

Carty would be the last men to claim an undue share of the credit for this great work, but their names will ever be linked together in this triumph.

But something more than engineers was necessary in developing and producing this great telephone system. A large company of skilled mechanics has also been developed. You and I would make sorry work of building a pole line, installing a switchboard or stringing subscribers' wires, and I dare say that very few of us would even know how to install a telephone if it were placed in our hands a completed and perfected instrument. The plant department of the telephone company does this work. Now, the plant department has nothing whatever to do with horticulture, but it has invaded the forests and taken therefrom enough timber to form a complete stockade around a lake larger than Lake Erie, with each pole touching its neighbor. It handles each year many millions of pounds of copper. It installs every switchboard, it invades every man's back yard, goes into every man's house with his telephone. It works every second of the twenty-four hours, not only in fair weather, but in hurricane and flood and fire and earthquake, continually building and maintaining the indescribable network of appliances which go to make up the telephone system.

Now, neither the engineers nor the plant department people could use that telephone plant after it was once constructed. Another army of people must be recruited for this special service. A telephone lineman is indispensable when it comes to repairing a break in a circuit, but if you were to put him in front of a switchboard and ask him to connect you with some other number, he would be out of his element and absolutely useless. And we have found after long and bitter experience that not only the plant man is useless for such work, but any man and every man is nearly useless for that high type of service which the telephone operator renders to our present civilization. A great deal of education is required in the traffic department of a telephone company. A switchboard operator, in the first place, must have physical characteristics which fit her for the position. Her hearing must be at least average and normal, her sight up to standard. She cannot be too short nor too tall, and must be able to reach a certain distance with her arms. Then she must be educated and trained not only as to the mechanical part of her work, but her disposition, her attitude to the public which she is serving must be brought into conform-

ity with the requirements of a most difficult service. But when these young women have been thus trained, in an educational institution which turns out each year about thirty thousand graduates, they perform a most wonderful service. It is seldom they ever shirk a responsibility, and nearly every great flood or fire or earthquake furnishes testimony of their fidelity even in times of great personal peril. And there have been instances where they have lost their lives in remaining at the switchboards sending out warnings of danger to others.

But what would be the use of a plant department and a traffic department if we did not also have a commercial department? Somebody has to go out and meet the public and sell the service to the public and collect the money for the service, and that is the function of the commercial department. The commercial department makes the rates upon which telephone service is based, and when you consider that there are nearly five billion long-distance telephone rates in the United States, you will realize that this is something of a task. The commercial department has to do with the development of the different classes of service, and must at all times function perfectly with the plant and traffic departments.

These three departments, performing three different functions, constitute the operating organization of the Bell system: A plant department, to build the plant and keep it in proper repair; a traffic department, to take that plant and render service to the public; a commercial department, to represent the company in all its relations with the public. Each of these departments must perform its functions properly and co-operate perfectly, or we shall have no demonstration of transcontinental telephony this evening.

Besides these departments are the engineering department, the legal department, and the accounting department, all having most important and exacting duties to perform in the operation of the business.

I hope you will gain some idea from the moving pictures of the complicated equipment necessary to connect almost instantaneously any one of the 500,000 subscribers in a great metropolitan exchange like New York, not only with any other subscriber in New York, but with any other subscriber throughout the United States.

The point I wish to make very clear in these remarks and in the use of the pictures is that the telephone system as a whole is the talking machine, and not the transmitter and receiver, which

are the only parts of the machine visible to the ordinary patron. The transmitter and receiver, without the line, the switchboard, the relays, the transpositions, the loading coils and a multitude of other and various devices, would be of no earthly use, and all of these electrical and mechanical devices, if placed under the control of men and women who were unorganized and had not been trained to the work, could result only in utter confusion of service.

To develop these hundreds of mechanical and electrical contrivances, and the men and women trained in using them, has required the undivided attention of hundreds of scientists and executives of the highest rank. It has required the building of actual lines over which expensive experiments and tests might be made, before those lines could be devoted to the giving of service.

The cost of these experiments, the cost of equipment—millions of dollars' worth—which had to be constructed and tried out only to be scrapped and constructed over again, would have been away beyond the financial ability of any one company, and no line extending through the territory of any one company could have been used to work out the numerous experiments and tests which have been required to develop the art of long distance telephony.

I have said that the mere physical construction of the transcontinental line involved no new or exceedingly difficult engineering task, but in spite of that fact, the cost of constructing the line across the continent is impressive when we consider the magnitude of the undertaking. The data and figures are large. For instance, the line crosses thirteen states; it is carried on 130,000 poles. Four hard-drawn copper wires, .165 of an inch in diameter, run side by side over the entire distance, establishing two physical and one so-called phantom circuit. One mile of single wire weighs 435 pounds, the weight of the wires in the entire line being 5,920,000 pounds or 2,960 tons of copper. This amount of copper is required for the transmission lines alone. In addition, each one of the physical circuits requires some 13,500 miles of fine hair-like insulated wire, .004 of an inch in diameter, for its loading coils.

Simply to string this immense amount of wire across the continent, to set poles and insure insulation, to conquer the innumerable difficulties offered by land, water, forests, mountains, deserts, rivers and lakes, was in itself a task of no mean magnitude.

The Panama canal is hailed as one of

the greatest achievements of the world—as indeed it is—but the almost invisible lines of the Bell system, spreading a thin blanket all over this entire country, and considered simply with respect to labor and cost, constitute a monumental achievement. The canal was begun about ten years ago, and has cost upwards of \$310,000,000. Within that same space of time the Bell companies have spent more than twice that amount in engineering and construction work alone.

During the year 1915 we made the announcement of another tremendous advance in the art of communication. To me it was a new idea to consider this broad continent of ours as too narrow for any sort of work or experiment, but that is exactly the condition with which the engineers of the Bell system were confronted. They did not have space in the United States to carry on their work, and in order to perfect their plans it was necessary to send a man as far west as Honolulu and another as far east as Paris, and without wires we talked with those men over the telephone from the naval wireless station at Arlington, Va.

This wonderful development is still in the development stage. I shall not attempt to tell you of it this evening. The discussion of that we will leave until we can meet here perhaps sometime for a wireless demonstration, when we shall be able to talk not only across this continent but across other continents and the oceans as well.

In the history of the telephone there have, of course, been no greater achievements than the development of transcontinental telephony and of wireless telephony. The gain to science is great, but the gain to the people, to the nation, is much more precious, and the benefit to commerce and society can scarcely be measured.

This is a final blow to sectionalism. The East is no longer separated from the West, nor the North from the South. The railways and the new canal and the facilities for communication are bringing the states closer and closer together. Isolation is the cause of provincialism, and there is no longer isolation in this country. People and communities cannot drift far apart when they are in such constant touch with each other. Co-operation is rendered easy, natural, necessary, permanent.

It is a wonderful thing, my friends, that we can speak from the Atlantic to the Pacific or from any point between those two great oceans in either direction. That constitutes a wonderful scientific fact. The line connecting the two seaboard is the longest line for

the transmission of speech in the world, and if there were to be constructed a line connecting any other two equally distant points on the earth's surface in any other country on earth, after the line had been constructed the people at one point could not understand the people speaking from the other point. And this constitutes, in my opinion, a great social fact. We have a common language in this country; we do not need translation. All we need is transmission, and it is the function of the Bell system to supply that.

Now, the expression, "We do not need translation in this country," is not merely a pat phrase. I believe it expresses a fact of most tremendous social, economic, national importance—indeed, I would go further, and say international importance. The effect of language on race and civilization is coming to be better understood, and in North America we have two examples which serve to illustrate this point perfectly.

To the north is a great country, inhabited for the most part by English-speaking people. In all the four thousand miles of the international boundary neither nation has a protecting fort. There are no guards, no warships, no armies, on either side of that boundary, and peace has prevailed without interruption for more than a hundred years. There is constant co-operation.

To the south is another great country, but inhabited by people who do not speak English, a people of different ideals, and with this country we have had wars in the past. We have failed to co-operate. It has been necessary almost all the time for us to protect our borders with soldiers, and at the present time the people along our southern border are hated and hate with an intensity which, in spite of "watchful waiting," may bring us at last to a condition which will be recognized even by our government as war.

Now, I do not mean to infer that the fact of a common language has made all the difference in these international relations, but I do believe that it has been and is the greatest single factor for peace to the north and discord to the south. The power of cohesion in a common language is tremendous; confusion of tongues is a constant menace, leading to discord, while the ability to speak with our neighbors has in it elements of real preparation for peace. The surest way to secure co-operation between individuals or nations is for them to talk with each other.

Now, you may account for this in any way you will, but the fact remains that throughout the history of the world, wars between factions speaking the

same language have been rare indeed. And so, I repeat, it is a social fact of tremendous significance that together with other public service corporations in this country, we are bringing the people of widely separated states and countries closer and closer together.

What we need in this country, and indeed all over the world, is that people shall get together, shall understand each other, shall talk to each other, shall co-operate, and it is the intention of the American Telephone and Telegraph company—and I say this without hesitation or fear of being accused of a selfish desire for monopoly—to make it possible for every man who can talk, to talk over the telephone to every man who can hear. And we are not going to be satisfied, and we are not going to stop, when the people of this country have been given universal telephone service; but by the means of wireless telephony we hope to bring all the countries and all the peoples of the world into a closer relationship—

and, we hope and pray, into closer co-operation, closer fellowship.

The telephone was born here in America. Here it has reached its greatest perfection. Most of the great governments of Europe own their telephone systems, but no foreign telephone administration has ever invented or developed a single important contribution to the telephone art. Under no other conditions except such as exist in America could the telephone business possibly have come to its highest development. With its dozens of telephone systems, Europe has no telephone line that can compare in a small degree with this line. The transcontinental line is the culmination of an art which was born in the United States, the high mark of a science which was created and has been developed entirely by American genius and American enterprise. I believe it is the highest achievement of practical science up to today. No other nation has produced anything like it, nor could any other nation. It is *sui generis*, it is gigantic, and it is entirely American.

As soon as Mr. Kingsbury completed his address he took charge of the Transcontinental telephone demonstration and the 500 men and women around the banquet tables at Evansville heard distinctly, noted men talk from coast to coast. The banqueters were connected with the following cities: Chicago, Pittsburg, New York, Washington, D. C., Boston, Omaha, Denver, Salt Lake City, Winnemucca Nev., San Francisco and Sacramento.

Evansville men and visitors at the banquet talked with the following: Gov. Hiram Johnson, California; Robert Newton Lynch, President San Francisco Chamber of Commerce; Mr. Delaney, San Francisco, who talked for Mayor James Rollf; Allison Stacker, state treasurer of Colorado; Dr. Harry Pratt Judson, president of the University of Chicago; George M. Reynolds, president of the Continental and Commercial National Bank, Chicago; Lieutenant Governor Coolidge, of Massachusetts; President Weed, of the Boston Chamber of Commerce; Union N. Bethel, President New York Telephone Company; William Fellows Morgan, President Merchants Association of New York; Hon. Josephus Daniels, Secretary of the Navy, Washington, D. C.; Hon. Robert Lansing, Secretary of State, Washington, D. C.; Hon. Thomas R. Marshall, Vice-President United States.

After the roll call of cities Mr. Kingsbury was connected with Sacramento, Cal., and the telephone conversation was as follows:

Mr. Kingsbury: Well, now, I think the schedule says we are first to have a talk with Governor Johnson at Sacramento. Has that been arranged?

Mr. Butts: (Sacramento) Yes, Mr. Kingsbury.

Mr. Kingsbury: Well, I guess we had better get the Governor on right away. Can you get him right away?

Mr. Butts: (Sacramento) Yes, I think so.

Mr. Kingsbury: Where is the Governor?

Mr. Butts: (Sacramento) At the gubernatorial house in Sacramento.

Mr. Kingsbury: Is this Governor-Johnson?

Sacramento Operator: No, this is the Sacramento operator. I will put the Governor on right now.

Governor Hiram Johnson: (At Sacramento) Hello, Mr. Kingsbury.

Mr. Kingsbury: Hello, Governor. Is this Governor Johnson?

Governor Johnson: Yes, sir.

Mr. Kingsbury: This is Mr. Kingsbury, Governor, of the Bell System.

Governor Johnson: Yes sir.

Mr. Kingsbury: I have had the pleasure of hearing you before. I am very glad to greet you again.

Governor Johnson: Are you down at Evansville, Indiana?

Mr. Kingsbury: Yes sir, I am at Evansville. Where are you?

Governor Johnson: I am at the gubernatorial house in Sacramento.

Mr. Kingsbury: I see. Mr. Henry C. Murphy, Editor of the Evansville Courier, of Evansville, Indiana, wants to say a few words to you. We are all glad to hear you, Governor.

Governor Johnson: I am very glad, indeed, to have the opportunity of talking to you over long-distance wire. I will be very glad to talk to Mr. Murphy.

Mr. Kingsbury: Here is Mr. Murphy, Governor.

Mr. Henry C. Murphy: I want to send you the greetings from Indiana and from the Conference we are holding here in the City of Evansville. You know what happened to Indiana in the last election, but we didn't for a long time know what happened in California.

Governor Johnson: That's so. From the complex situation in California it was impossible to tell with anything like exactness for a long time just what would happen. Even at that we didn't think that it would have such an effect on the country. We now understand that the situation in California really had a great effect on the outcome of the last election and in a way decided the result. Can you hear me all right?

Mr. Henry C. Murphy: Yes, we can all hear you. Mr. Frank Walsh, of Kansas City, is here and partook in the Conference. He wants to say a word to you.

Governor Johnson: Oh, I will be glad to hear from him. Hello, Mr. Walsh.

Mr. Frank P. Walsh: Hello, Governor. Is this Governor Johnson?

Governor Johnson: Yes.

Mr. Frank P. Walsh: How are you this evening?

Governor Johnson: All right. How are you?

Mr. Frank P. Walsh: Pretty well, thank you. I want to congratulate you on your late success.

Governor Johnson: That is mighty good of you.

Mr. Frank P. Walsh: I am talking from Evansville, Indiana.

Governor Johnson: I am glad to hear your voice tonight.

Mr. Frank P. Walsh: Well, I am certainly honored in talking to you, and especially under these circumstances. I recall the night you made your opening speech in the last gubernatorial campaign at Los Angeles when some of us predicted that perhaps you would be President.

Governor Johnson: Well, that is very nice.

Mr. Frank P. Walsh: I am speaking now from Evansville, Indiana, after a dinner at which about five hundred people are in attendance. This dinner is held at the close of the Central States Conference on Rail and Water Transportation. We want to send you our congratulations and greetings.

Governor Johnson: I thank you very much.

Mr. Frank P. Walsh: I think we have had one of the most important conferences that was ever held in the Central States. We have just listened to one of the most remarkable speeches that was ever made in any place by Mr. Kingsbury, the Vice-President of this Telephone Company, through whose courtesy we are hearing from you this evening. We hope that you will be with us soon on the shores of the Ohio river.

Governor Johnson: Yes, I hope so, too. Are you now at the banquet?

Mr. Frank Walsh: We are now at the banquet, Governor, at a very beautiful hotel situated on the banks of the Ohio river.

Governor Johnson: I am in Sacramento at the gubernatorial house. I have just been informed by the kind gentleman here that the people over at Evansville, Indiana, are having a splendid time. I want to greet you from the people of California, and to congratulate you upon your conference and upon the very great work that you have done. This country owes much to the people who in the past gave their energy and their thought to the upbuilding of the great transportation systems of this country. Much depends upon the transportation facilities that are accorded to a great nation like ours and upon our transportation facilities in the future, upon their proper regulation and efficiency depend the commercial welfare of this country. I trust that those in the Conference have realized that. I think the people of the country should realize the possibilities of such a conference as this and the potential success that should be acquired through your meetings and deliberations upon such a great problem as the one you have had under consideration. I do not think you quite fully realize the effect of your work, not only the effect upon the Senators and Congressmen of the United States, but upon everybody who is dealing with these questions all over the country.

You know, I think it is the most wonderful thing that I can sit here, more than two thousand miles away from you, and because of modern science, talk to you as though you were in the next room. It seems incredible to me. But it is due to this sort of thing, to the path which the telephone has blazed through the country, as the railways have blazed through the country, that those who formerly were separated by so many, many miles have been brought so close together. And it is just that modern invention and modern science which is responsible for all of this. It is just that kind of science, that kind of inventive genius, backed by American ingenuity, that will solve all the problems that are presented to us. I want to say to the different people there that we on the western shores of this country, in this region, will be glad to participate in any conferences of the kind you have held there. I think it is a wonderful thing that I can express myself in this way to you who are so far away and that I can greet you over the 'phone in this fashion, and I am sure we owe much to the company through whose courtesies we are enabled to talk to each other in this way.

I am very glad that I have had the opportunity to say just a word to you tonight and I wish every one of you everything that this glorious holiday season brings, everything that your heart desires. Goodnight and good luck to you.

Mr. Frank P. Walsh: Thank you very much, Mr. Governor. We wish you the best of success. Goodnight. Goodbye.

Governor Johnson: Thank you very much. Good night.

Mr. Kingsbury: Hello, San Francisco.

Mr. Beck (San Francisco): Hello, Mr. Kingsbury. This is San Francisco, Beck talking.

Mr. Kingsbury: I see by reference to the program that we are to talk to Mr. Rolph, Mayor of San Francisco. Is Mr. Rolph there?

Mr. Beck (San Francisco): No, Mr. Kingsbury. Mr. Rolph is out of town, but we have another party on the line.

Mr. Kingsbury: All right. That is fine.

Mr. Beck (San Francisco): We will get him right away. Mr. Delaney is not at his home. So we will try to get him at the office.

Mr. Kingsbury: (To the audience) I want to call your attention to the fact that these people are not gathered at any particular place as we are tonight, but they are at their own places. It means a good deal to be able to sit down at this instrument and talk to anyone of the millions of subscribers in the United States, wherever they may be. They are trying to get Mr. Delaney down at his office.

Mr. Delaney (at San Francisco): Hello.

Mr. Kingsbury: This is Mr. Kingsbury, Mr. Delaney. I am very glad to talk to you again.

Mr. Delaney: I am awfully glad to hear from you.

Mr. Kingsbury: I haven't heard your voice for six months.

Mr. Delaney: When are you coming out to San Francisco?

Mr. Kingsbury: Well, I will be glad to come out there when fishing is all right. Whenever I do come there is something wrong and we don't get any fish. Now, Mayor Bosse of Evansville, Indiana, wants to speak to you for just a moment.

Mr. Delaney: I will be very glad to talk to him.

Hon. Benjamin Bosse: Hello, Mr. Delaney.

Mr. Delaney: Good evening, Mr. Mayor.

Hon. Benjamin Bosse: How is California?

Mr. Delaney: Oh, California is very warm and nice. It couldn't be more beautiful than it is. We are just now having the most wonderful weather that you could possibly have, just like a fine April day.

Hon. Benjamin Bosse: We are delighted to hear that Governor Johnson is going to be your United States Senator.

Mr. Delaney: Yes, we are very glad that the Governor is going to be United States Senator.

Hon. Benjamin Bosse: I am sorry he could not take part in our Conference over here.

Mr. Delaney: Well, I wish we could.

Hon. Benjamin Bosse: We are trying our best to get everybody to understand that the business of this country can only be done if we all co-operate.

Mr. Delaney: Well, that is very true. I think you will find out we are very much interested in what you are doing there. I will appreciate it very much if you will send me any account that you may have of the proceedings when they are published. I would like to get a copy of them to keep in my office and to read over and study. I think they will be very valuable.

Hon. Benjamin Bosse: We will be glad to send you a copy. I want to thank you very much for this communication.

Mr. Delaney: Well, it is a pleasure to talk to you there. I want to thank you very much for the opportunity, with the best compliments of the season.

Hon. Benjamin Bosse: Good night.

Mr. Delaney: Good night.

Mr. Kingsbury: Hello, Mr. Beck.

Mr. Beck (San Francisco): Hello, Mr. Kingsbury.

Mr. Kingsbury: Now, Mr. Wilbur Erskine, President of the Evans-

ville Chamber of Commerce, wants to talk to Mr. Robert Lynch, President of the San Francisco Chamber of Commerce.

Mr. Beck: All right, I will connect him right away.

Mr. Robert Newton Lynch (at San Francisco): Hello, Mr. Kingsbury.

Mr. Kingsbury: Hello, Mr. Lynch. Mr. Wilbur Erskine, the President of the Chamber of Commerce of Evansville, Indiana, wants to talk to you.

Mr. Lynch: I will be very delighted, I am sure.

Mr. Wilbur Erskine: Hello, Mr. Lynch.

Mr. Lynch: Good evening, Mr. Erskine.

Mr. Erskine: I just wondered what you thought of being President of the Chamber of Commerce out there.

Mr. Lynch: Well, I consider it quite an honor. We have a very fine organization here. It is a very great honor to be connected with it, Mr. Erskine.

Mr. Erskine: Well, I have always thought very well of it. In fact, I think it is the greatest honor that I ever had bestowed upon me, but since this Conference here I feel that I am just about five times as big as I ever was.

Mr. Lynch: Well, I congratulate you.

Mr. Erskine: We have some very live ones here today. Mr. Kingsbury has so electrified us that I am afraid the telephones won't work in this part of the country for about a week.

Mr. Lynch: Well, that would be too bad.

Mr. Erskine: And as I spend about half of my life talking over the 'phone I wonder how I would get along if it were impossible to use the 'phone for the purposes of my business. I trust that this will not have a very bad effect on them.

Mr. Lynch: Well, it will be very bad for all of us if the 'phones should go out of service.

Mr. Erskine: We have had a very delightful time at our Conference here. We hope you will get up something of that kind in your community out there. We think they are very beneficial.

Mr. Lynch: Well, we will take a great deal of interest in the subject that you have had up for consideration and will be very glad to read over the proceedings.

Mr. Erskine: Well, good night.

Mr. Lynch: Good night.

Mr. Kingsbury: Hello. I want Denver, now.

Mr. Sachaffell: This is Denver, Mr. Kingsbury.

Mr. Kingsbury: Who is going to talk?

Mr. Sachaffell (Denver): Mr. Allison Stacker, the State Treasurer.

Mr. Stacker: Hello, Mr. Kingsbury.

Mr. Kingsbury: Good evening, Mr. Stacker. Mr. Meeman, editor of the Evansville Press, wants to say a few words to you.

Mr. Stacker: Oh, I shall be delighted to talk to him.

Mr. Edward Meeman: Five hundred men and women assembled in the Central States Conference on Rail and Water Transportation send greetings to the Rocky Mountain States. We have gone through the transportation problems like one of your fine roads goes through the Rocky Mountains.

Mr. Stacker: Well, we would be very glad to have you come out and enjoy our fine roads through the mountains. This is the state treasurer talking. The Governor is indisposed.

Mr. Meeman: We are very sorry to hear that. However, we will be delighted to come out sometime. We are having a very good time here this evening, and we wish you could be here with us.

Mr. Stacker: Well, I want to extend to you the greetings of the Chamber of Commerce of Denver, of which I was formerly president, and also to extend an invitation to your party to come out to Denver and enjoy our beautiful roads and our beautiful scenery and some of our hospitality.

Mr. Meeman: Thank you very much. Good night.

Mr. Stacker: Good night.

Mr. Kingsbury: Hello. I want Chicago.

Mr. Bell (Chicago): All right, Mr. Kingsbury.

Mr. Kingsbury: I understand we are to talk to Mr. Reynolds, President of the Continental and Commercial National Bank of Chicago, but that first we are to talk to Dr. Harry Pratt Judson, President of the University of Chicago.

Mr. Bell: I will get Dr. Judson.

Mr. Kingsbury: Mr. Howard Roosa, editor of the Evansville Courier, wants to talk to Dr. Judson.

Mr. Bell: Here is Dr. Judson.

Dr. Harry Pratt Judson (at Chicago): Hello.

Mr. Kingsbury: President Judson?

Dr. Judson: Yes, sir.

Mr. Kingsbury: I want to introduce Mr. Howard Roosa, the editor of the Evansville Courier, who wants to say a few words to you.

Dr. Judson: I shall be glad to hear from him.

Mr. Howard Roosa: Good evening, Doctor.

Dr. Judson: Good evening.

Mr. Roosa: I have heard your voice before, Doctor. I heard it very frequently when I was at the University.

Dr. Judson: Can you hear me clearly.

Mr. Roosa: Yes, sir. President Judson, we are having a banquet here of about five hundred men and women assembled, after a discussion for two days regarding the transportation problem. We all wish that you would say something to us here tonight.

Dr. Judson: Well, are you all there and can you all hear me?

Mr. Roosa: Yes, sir.

Dr. Judson: It is now nearly a quarter of a century since you were a student here. At that time we had only five hundred students. Now, we have over five thousand. I think only six or seven hundred registered the first year, six thousand registered this year. The less than \$2,000,000 on which this University was founded have become more than \$45,000,000.

Now, this globe is very good to live in. I understand that you are considering transportation problems in your Conference at Evansville. We must remember in dealing with these transportation problems that we must not look but one year ahead, but we must look ahead for fifty years or more and plan for that length of time. The progress of commercial activity in this country is something wonderful but no commercial activity of any kind worth mentioning would have been possible without transportation. The transporting of commodities over great distances with great rapidity and at low cost are the chief essentials of commercial activities and have made possible the wonderful development of our Republic. The capital invested in the transportation facilities of the country will be returned many fold. Without transportation by rail and by water into the many cities of the country there never could have been any organized system in the commercial development and in fact the cities of the country

could never have been organized and developed without the means of rapid transportation. The telegraph and the telephone made possible the railroads and the boats on river and ocean, and it is only by a perfect co-ordination of all of our forces and sympathetic co-operation that America will be able to retain its lead in the world of commerce. The genius of the American people has made possible our talking tonight over such long distances and with such ease. The wonders which we have seen are but a forerunner of the wonders yet to come. Our systems of transportation must be ready in a moment to meet the conditions of a new age. We must look forward and not back.

I am glad to greet you and want to congratulate you on the success of your Conference.

Mr. Roosa: In behalf of the five hundred men and women assembled at this banquet, I want to thank you, Dr. Judson, very much and extend to your our felicitations and good will.

Dr. Judson: I want to thank you very much and thank the gathering there. Good night.

Mr. Roosa: Good night.

Mr. George M. Reynolds (at Chicago): Hello.

Mr. Kingsbury: Hello, Mr. Reynolds. This is Mr. Kingsbury. Mr. M. S. Sonntag, President of the American Trust & Savings Bank of Evansville, Indiana, wants to say a few words to you, Mr. Reynolds.

Mr. Reynolds: All right. I would be glad to say a few words to him.

Mr. Kingsbury: Here is Mr. Sonntag.

Mr. Sonntag: How are you, Mr. Reynolds.

Mr. Reynolds: Hello, Mr. Sonntag. I am first rate, thank you. How are you?

Mr. Sonntag: All right, thank you. We are sorry you could not be with us tonight. We have been having a very fine meeting for the past two days here.

Mr. Reynolds: I regret very much that I could not be with you. I want to congratulate you, however, on the success of it, but I congratulate you people more on your initiative in getting up a Conference of that kind.

Mr. Sonntag: Mr. Reynolds.

Mr. Reynolds: Yes.

Mr. Sonntag: We would like to have your views regarding conditions for the coming years as to money and general conditions.

Mr. Reynolds: Well, you know, there is an old saying that a prophet is without honor in his own country. Therefore, I am rather loath to prophesy. Our reputation as a prophet usually becomes very low if we don't hit it just right. We don't know what is liable to happen. We some times are up against it when we are asked whether we can prove whether we are right or not. The conditions in this country, of course, are very unusual. We are in the midst of probably the greatest prosperity that the nation as a whole ever enjoyed, superinduced very largely by the conflict abroad and the enormous exports which we have been sending over there and the great imports of gold and wealth in its stead. Now, almost every line, directly or indirectly, has felt a benefit or a collateral benefit of this unusual prosperity. I don't think this is true, however, of the banks. The banks have been penalized rather than having felt any benefit from this business, because of the great influx of gold and wealth and the little demand for money. I just want to say that what is likely to happen, what is in store for us here, depends a great deal on the trend of the war abroad.

Mr. Sonntag: What, in your opinion, would be the effect on this country if peace were declared in Europe at this time?

Mr. Reynolds: Well, I think we are getting a little forecast of what the effect might be on this country by the effect that the German note had on the stock market in New York within the last three or four days. Now, I think that peace would come as a shock and probably would shock the markets. I can't see any reason for any great disturbance. We would all have to readjust ourselves to the new conditions if peace were declared. Personally, I believe that in the long run we will enjoy just as much if not more prosperity than we have had in the past, and we would get away from what many people call blood money prosperity, as it has been called during the last two years. The fear and the lack of confidence which is reflected in the stock market, the stock brokers in New York City, is a thing that has got to come when the war ends. Immediately following that, however, confidence will take the place of fear. We will begin then to get on a sound basis and while there will be a great many problems raised I think the American business man is cool-headed enough to solve them. I am sure that the American people will soon readjust themselves to the new conditions.

Mr. Sonntag: Well, thank you, Mr. Reynolds. Good night.

Mr. Reynolds: Good night.

Mr. Kingsbury: Now, we want to go to Boston.

Mr. Bell: All right, here is Boston.

Boston Operator: This is Boston.

Mr. Kingsbury: Is Governor Coolidge there?

Boston Operator: Yes, sir.

Lieutenant-Governor Coolidge (at Boston): This is Mr. Coolidge.

Mr. Kingsbury: This is Mr. Kingsbury, Governor. Mr. Charles F. Hartmetz wants to say a word to you. We are glad to hear from you, Governor. I will put Mr. Hartmetz on the line.

Mr. Coolidge: All right.

Mr. Hartmetz: Good evening, Governor.

Mr. Coolidge: Good evening. How is the weather out there?

Mr. Hartmetz: It is pretty cold out here now, but we are interested in a proposition of much more importance than the weather, the proposition of transportation, the problem that is connected with the high cost of living.

Mr. Coolidge: Yes, sir; it is a very important problem. I want to congratulate you on the success of your meeting. I am as interested as any man in the country's prosperity. We regard our welfare as going hand in hand with the development of the railways and waterways. We should use all our energies, bend all our efforts towards the building up of the railways and waterways. We need them, we need them in order to maintain our prosperity.

Mr. Hartmetz: It is a very big question and a very big proposition and we have been discussing it here from all angles.

Mr. Coolidge: Yes, sir. I hope you work it out satisfactorily.

Mr. Hartmetz: We would like to have had you with us. We have had a very successful Conference.

Mr. Coolidge: Yes, I heard so. I wish you success now, and extend to you the best wishes and greetings of the season.

Mr. Hartmetz: Thank you very much, Governor, we are very glad to have heard from you.

Mr. Coolidge: Goodbye.

Mr. Hartmetz: Goodbye.

Mr. Kingsbury: Hello, Boston.

Boston Operator: Mr. Weed is on the line.

Mr. Kingsbury: Mr. Weed is the President of the Boston Chamber of Commerce.

Mr. DeJong (Vice-President Evansville Chamber of Commerce): Hello, Mr. Weed.

Mr. Weed (at Boston): Hello.

Mr. DeJong: This is Mr. DeJong of Evansville, Indiana. I am speaking for about five hundred live wires who are assembled here at the conclusion of the Central States Conference on Rail and Water Transportation, held at Evansville, Indiana. If this telephone had a mirror attachment to it as well as being long distance, I would bring you face to face with five hundred live wires. How is the weather out your way?

Mr. Weed: Well, it is snowing pretty hard just now.

Mr. DeJong: Well, it has been snowing here, too.

Mr. Weed: We, of the Chamber of Commerce of Boston, Massachusetts, want to send congratulations to the Evansville Chamber of Commerce. We congratulate you and appreciate the work you have undertaken. Whatever you may be able to accomplish in the way of waterways or railroads we hope will be for the best and we know that your views down there will be respected by the government in its regulation of the railroad. We believe that the national government should be given this authority and not that any state should have the authority to regulate for interstate commerce, which it does when it imposes regulations upon an interstate carrier. We have the commerce of the world at our doors. We believe that we can keep this commerce, that we can go into the markets of the world, and that we can get prosperity into the whole country and keep it there if we can get the proper transportation for our raw materials and manufactured goods. To get prosperity into the whole country we have got to go to the markets of the world. The only way it can be developed is by the railroads. The telephone company, by its marvelous service, has done its part. The people of this country must be given the right of collective bargaining. The states of this country must have proper transportation facilities or we will never be able to attain the place that America is properly entitled to. Much obliged to you. Good night to you all.

Mr. DeJong: Good night.

Mr. Kingsbury: Hello, I want New York Now. Hello, New York.

New York Operator: Hello, this is New York.

Mr. Kingsbury: I want to speak to Mr. Bethel.

New York Operator: All right, here you are.

Mr. Kingsbury: (To the audience) I am going to speak to my boss. I hope you won't notice any change in my voice. Hello, Mr. Bethel. Is this Mr. Bethel?

Mr. Union N. Bethel (Senior Vice-President American T. & T. Co. at New York): (Mr. Bethel was born and lived many years at Newburgh, ten miles from Evansville.) Hello, Mr. Kingsbury.

Mr. Kingsbury: How are you, sir?

Mr. Bethel: Pretty well, thank you. How are you tonight?

Mr. Kingsbury: First rate, thank you. We are having a splendid time. I am down here with your old friends and neighbors. They are specially interested and were very sorry you could not be here. I haven't any apologies to offer for you for not being here. I have left that to you. Mr. J. C. Johnson, Vice-President of the Citizens National Bank of Evansville, wants to say a few words to you, Mr. Bethel.

Mr. Bethel: Hello, Mr. Johnson.

Mr. Johnson: Hello, Mr. Bethel.

Mr. Bethel: How are you, sir?

Mr. Johnson: Very well, thank you, sir. I want to extend greetings to you, sir, on behalf of the Central States Conference on Rail and Water Transportation now in session in the city of Evansville. I want to know if you have some message to transmit to this Conference.

Mr. Bethel: I don't know that I have any message, Mr. Johnson. I would suggest to the people of Evansville who had the honor to hold this first Conference in their midst, that they did something of which they ought to be proud. I am proud of the fact that I have lived in Evansville. I was born near there on the banks of the beautiful Ohio at a little place called Newburgh.

Mr. Johnson: Oh, yes, Evansville is a suburb of Newburgh.

Mr. Bethel: As I say, I am very glad that Evansville had the honor of holding that first Conference. I have been back there a great deal since my boyhood. I spent my boyhood there and I want to say that there is no state in the country that can compare with Indiana. I hope you will be exceedingly successful in all you do.

Mr. Johnson: Thank you very much. Your friend, Mr. Brown, from Atlanta, Georgia, is here.

Mr. Bethel: Yes.

Mr. Johnson: He has been sitting beside me here at the banquet. He sends his greetings to you.

Mr. Bethel: Will you please thank Mr. Brown very kindly?

Mr. Johnson: Yes, sir.

Mr. Bethel: What family of Johnsons do you belong to?

Mr. Johnson: What family do I belong to?

Mr. Bethel: Yes.

Mr. Johnson: Oh, there is a vast army of Johnsons in this country and I don't know just what family I belong to.

Mr. Bethel: I am a real Hoosier. Where do you come from?

Mr. Johnson: I come from Maryland.

Mr. Bethel: Maryland?

Mr. Johnson: Yes; I am not a Hoosier by birth. I am a Hoosier by preference.

Mr. Bethel: I take great pleasure in hearing from you. I am very proud of the fact that I am from the Hoosier state. Now, I belong to that hardy race of people that came down and settled in that great northwestern territory north of the Ohio river.

Mr. Johnson: Yes.

Mr. Bethel: That gave to the world such men as Abraham Lincoln. I was like Lincoln in one respect. I spent my boyhood in the same country that he did. In that one respect I was like him. I am not a contemporary of his, though.

Mr. Johnson: No, I should hope not.

Mr. Bethel: But I was a contemporary of George Clifford.

Mr. Johnson: I didn't know you were quite so old a man.

Mr. Bethel: Yes.

Mr. Johnson: He is here tonight.

Mr. Bethel: Give him my love.

Mr. Johnson: Give him your love, yes.

Mr. Bethel: And Mark Sonntag.

Mr. Johnson: Mark Sonntag?

Mr. Bethel: Yes.

Mr. Johnson: He is here tonight, too.

Mr. Bethel: Give him my love, too.

Mr. Johnson: He has just finished talking to Mr. Reynolds in Chicago.

Mr. Bethel: Yes, those are the fellows that I know. Do you know Will Warren?

Mr. Johnson: Yes.

Mr. Bethel: Well, he is a cousin of mine, not by blood.

Mr. Johnson: Mr. Warren is here.

Mr. Bethel: Mr. Warren there?

Mr. Johnson: Yes, Mr. Warren is sitting a few feet from me.

Mr. Bethel: I would like to talk to him.

Mr. Johnson: He is right here. Just as soon as he comes he will speak to you, but before he does I want to wish you a merry Christmas and extend to you the greetings of the season.

Mr. Bethel: All right, thank you.

Mr. William Warren: Hello, Union.

Mr. Bethel: Hello, Will. How are you tonight?

Mr. Warren: Fine. How are you?

Mr. Bethel: Fine.

Mr. Warren: I wish you could have been up here tonight. We certainly had a fine time.

Mr. Bethel: I wish so too. I asked Mr. Kingsbury to bring my regrets because I couldn't be there, it was absolutely impossible.

Mr. Warren: Well, he did that, Un. He held up your end very nicely indeed.

Mr. Bethel: That is very nice, Bill.

Mr. Warren: Well, I wish you a very merry Christmas, Union.

Mr. Bethel: Thank you, Will. I am awfully glad to hear your voice. Are you all well at home?

Mr. Warren: Yes. Good night, Un.

Mr. Kingsbury: Good night, Mr. Bethel.

Mr. Bethel: Good night, Mr. Kingsbury.

Mr. Kingsbury: Hello! New York. Is Mr. Morgan there?

Mr. William Fellows Morgan: (President Merchants Association of New York, at New York.) Yes, sir.

Mr. Kingsbury: Hello, Mr. Morgan.

Mr. Morgan: Hello, Mr. Kingsbury.

Mr. Kingsbury: Mr. Robert A. Andres, President of the Retail Merchants Bureau and director of the Evansville Chamber of Commerce is on the line and wants to say a few words to you.

Mr. Andres: Hello, Mr. Morgan.

Mr. Morgan: Hello, Mr. Andres. How are you this evening?

Mr. Andres: Very fine, thank you. The Central States Conference on Rail and Water Transportation sends you greetings. The delegates are assembled here. They number very nearly five hundred and we regret very much that you could not accept our invitation to be present. Have you something to say to us relative to the discussion that has been going on during the past few days, a message that would be of interest to us?

Mr. Morgan: I don't think I have any message that would be of particular importance at this time. I think you have heard both sides of the question and I shall merely send you the greetings of the season. I have been very glad I have been able to talk to you. It seems won-

derful to me to sit here and talk to you almost a thousand miles away. Good night.

Mr. Andres: Good night. Thank you very much, sir.

Mr. Kingsbury: Good night.

Mr. Morgan: Good night.

Mr. Kingsbury: Hello, Mr. Bell. We want to get Washington now.

Mr. Bell: Hello, Mr. Kingsbury. We will get Washington for you right away.

Mr. Kingsbury: Who is this talking?

Operator: This is the testing station. We are getting Secretary Daniel's residence.

Hon. Josephus Daniels, (Secretary of the Navy) (at Washington): Hello.

Mr. Kingsbury: Hello, Mr. Secretary. This is Mr. Kingsbury of the telephone company, Mr. Secretary. How are you?

Hon. Josephus Daniels: Very fine, thank you. How are you?

Mr. Kingsbury: First rate. I would like you to say a few words to Mr. W. H. McCurdy, President of the Hercules Buggy & Gas Engine Company, of Evansville, Indiana.

Hon. Josephus Daniels: All right.

Mr. W. H. McCurdy: Hello, Mr. Secretary.

Hon. Josephus Daniels: How are you out there?

Mr. McCurdy: Pretty well. How are you in Washington?

Hon. Josephus Daniels: All right.

Mr. McCurdy: We are having a fine time here. We are now assembled in the Central States Conference on Rail and Water Transportation and we have had a very successful meeting. We, of course, missed you. We hope to be more successful another time. How are things over in Washington?

Hon. Josephus Daniels: Things are very quiet here.

Mr. McCurdy: I happen to have been made chairman of a committee to secure the armor plate plant for Evansville and I hope soon to meet you as well as other Washington officials, for the purpose of laying before you all of our claims as impressively as possible.

Hon. Josephus Daniels: Well, we expect to send a committee out to see what you have, what kind of territory you have.

Mr. McCurdy: That will be all right. You will send the committee here to Evansville?

Hon. Josephus Daniels: Yes.

Mr. McCurdy: Well, we will give them a royal welcome and show them the advantages of locating the armor plate plant in our community.

Hon. Josephus Daniels: Well, I know they will have a good time.

Mr. McCurdy: Mr. Secretary, I hope you will take advantage of that opportunity and come along with them.

Hon. Josephus Daniels: Well, I hope I can do so. I won't promise, but I will if I can.

Mr. McCurdy: That will be very good. Do the best you can for us. Good night.

Hon. Josephus Daniels: Good night.

Mr. Kingsbury: Hello.

Washington Operator: This is Secretary Lansing's residence.

Mr. Kingsbury: All right. Hello.

Hon. Robert Lansing: Hello.

Mr. Kingsbury: Hello, Secretary Lansing?

Hon. Robert Lansing: Yes.

Mr. Kingsbury: Mr. Samuel L. Orr of Evansville, Indiana, wants to say a few words, to you, sir.

Hon. Robert Lansing: All right.

Mr. Samuel L. Orr: Hello, Secretary Lansing.

Hon. Robert Lansing: Hello, Mr. Orr.

Mr. Orr: We have had a most successful conference and I am sure that you will be interested to hear how much we have all been benefited and I believe that the Conference will do a great good. As you are a citizen of Evansville by marriage we would like to have you honor us with a few remarks. Have you a message to send to us?

Hon. Robert Lansing: Do you hear me?

Mr. Orr: Yes.

Hon. Robert Lansing: I want to express our very best wishes for a successful outcome of your Conference. The President is very much interested in your deliberations. We wish to congratulate the great central states on their industry and progress. While I cannot be with you in person I am with you in spirit. While I cannot meet with you in person I can do so across a thousand miles of wire. I believe that the problems both in transportation and along other lines will be solved by mature deliberation. The railroads and waterways are the channels of commerce and are the great arteries of development, and their perfection in these complex times is well worthy of consideration. I wish to express my highest regard for the city of Evansville in undertaking a conference of this nature. I wish you success in your enterprise and want to congratulate you upon your conference.

Mr. Orr: We thank you very much, Mr. Secretary.

Hon. Robert Lansing: Thank you.

Mr. Orr: Will you please extend to your good wife, Mrs. Lansing, the affectionate greetings of Evansville?

Hon. Robert Lansing: I will be very glad to do so. Good night.

Mr. Orr: Good night.

Mr. Kingsbury: Hello.

Washington Operator: This is Washington. This is Vice-President Marshall's residence. Are you ready for him?

Mr. Kingsbury: Yes, we are ready.

Hon. Thomas R. Marshall: Hello.

Mr. Kingsbury: Hello, Mr. Vice-President. This is Kingsbury of the Bell Telephone Company. Mr. Boehne, ex-Congressman from Indiana, would like to speak to you. Mr. Boehne is right here.

Hon. John W. Boehne: Hello. Is this Mr. Marshall?

Hon. Thomas R. Marshall: Yes. Hello, Mr. Congressman.

Hon. J. W. Boehne: How are you to-day?

Hon. Thomas R. Marshall: Very well, sir. Is the Conference in progress now?

Hon. J. W. Boehne: The Central States Conference on Rail and Water Transportation has been in session two days and they send their greetings to the Vice-President of the United States. They would like to have you say a word to them. There are 500 guests here, connected by telephone, who are enjoying his treat through the courtesy of the Bell Telephone Company. We have just had a most elaborate banquet here. Now, we would like to hear a few words from you.

Hon. Thomas R. Marshall: Mr. Congressman, I am a little embarrassed. I don't know just what to say. I express my personal appre-

ciation to all of the members present of the great task that they have had before them, and I want to congratulate the city of Evansville for its initiative in undertaking such a movement as that. The question has been particularly acute in the United States for the last number of months and we have been very much occupied with the discussion of the great question of transportation. That is one of the great problems confronting the American people and has to do with and has reference to the high cost of living. The high cost of living is partly induced by the fact that we have the people in one place and the products in another. The great difficulty is to bring them closer together. The question is whether we can bring the people to the products or whether the products can be brought to the people. This is not only an economic problem, but is also a social problem, to the solution of which the members of your Conference do well to lend their best efforts, their best energy and their best thoughts. The only thing I want to say is that the more you can put into the appropriations for the improvements of the rivers and waterways of this country the better it will be for all concerned, because in that way we will be able to relieve part of the congestion. There can be no question of the expediency of improving our rivers. The present condition of affairs does not arise from the fact that river transportation cannot be made possible and valuable to the people of this country, but it does arise from the fact that it cannot be made possible and valuable to the people of the country under the present conditions of the law. So all I can ask of the government of the United States is to permit the railroads to meet and to lower the rates of transportation. We must do everything to arouse enthusiasm over the improvements of the rivers of this country.

It is perfectly natural that the people will ship by rail and not by water, because of the greater expediency at this time when the railroads are used than when the waterways are used in their present condition. It is also perfectly natural that, when the waterways are improved, with the cheaper rates they will afford, whatever traffic can be sent over them will go via the waterways rather than by the railways, which parallel, unless the rates on the two are equal. It seems to me, therefore, that there must be some adjustment made between the railroads and the rivers of this country, that they must be co-ordinated and that, either through the instrumentality of the states or the instrumentality of the general government, there must be a control somewhere of the rivers and the railroads of his country; and that there must be power given to fix their securities and to enable us to use as much as we possibly can the great natural highways of the country, the mighty rivers that flow in all directions through this United States of America. Now, I am an old-fashioned democrat. I don't want to take away from the various states of this Union any of the rights that belong to them, but it seems to me that it would be to the advantage of the various states as well as to the people of the whole country that there be one controlling body over the railroads of the whole country. I hope that the conditions of America will not necessarily be changed by the new conditions in the markets of the world, but it is a fact that, unless the various states in this Union will assume the responsibilities which they owe to all of the states, and take the necessary steps to induce the people to use both the railroads and the waterways in the transportation of not only the food products, but all of the manufactured products of all of the states of this Union, there must be one central controlling body, and that the different states acquiesce in the opinion of that commission which would have the control over all the waterways and railways.

Now, I am most delighted to know that in the very grand and prosperous city of Evansville there has been held a Conference, the members of which are firmly convinced of the necessity of studying this problem which confronts the whole nation, and that that Conference has been called with that one object in view. I trust that that Conference has heard all sides of the question, and that they will give careful considera-

tion to the questions involved before any action is taken, and that whatever action is taken will be for the best interests of all the people of this country. Now, for myself, I would be opposed to any legislation unless that legislation could be backed up by the deliberate judgment of all the people. I believe in a very large amount of discussion on any subject. I doubt if the views of all sides can be expressed by any one party or by anybody and everybody who may happen to be at the convention. I hope that no one will refrain from speaking for fear of not meeting with the approval of some in the convention, but that everybody will talk. I trust that your deliberations, which will no doubt become known to all of the people of all of the states of this country, and which will no doubt be crystalized into some set of resolutions, will help to solve for the American people the great transportation problem of this country.

Hon. J. W. Boehne: Mr. Marshall.

Hon. Thomas R. Marshall: Yes, sir.

Hon. J. W. Boehne: I would like to say that I had the great pleasure of talking to you tonight as though I were with you in person, instead of a thousand miles apart, and I want to extend to you and Mrs. Marshall the best wishes, not only of myself but of my entire family. How is Mrs. Marshall?

Hon. Thomas R. Marshall: She is well, but not strong, Mr. Congressman; and I hope you will extend to the members of the Conference my best wishes and greetings, and explain to them that it was somewhat difficult to speak over the telephone, that my views with reference to transportation are not fixed, but that they are only tentative. I am at a loss to know what we may do in this great problem. I want you to give my greetings to all members of your good family, to all the people of Evansville, and the delegates to the convention.

Hon. J. W. Boehne: Thank you, very much. I wish to say that we would like to have you extend to the President the greetings of this convention, and to thank him in behalf of this convention assembled for his kind message to us. I hope to pay my personal respects to him and to you as well as to the others in Washington within a very short time.

Hon. Thomas R. Marshall: I will gladly convey your kind greetings to the President, and I want to thank you very much for your well wishes.

Hon. J. W. Boehne: Well, good night and good luck to you.

Hon. Thomas R. Marshall: Good night.

Mr. Kingsbury: Hello. Give me the transcontinental with San Francisco.

Mr. Hunter: (San Francisco.) This is San Francisco, Hunter speaking, Mr. Kingsbury.

Mr. Kingsbury: Hello, Mr. Hunter. Have you got the window open there?

Mr. Hunter: (San Francisco.) Yes.

Mr. Kingsbury: How is the Pacific tonight?

Mr. Hunter: (San Francisco.) The Pacific is rather quiet but there are some waves on it.

Mr. Kingsbury: I don't think it is wavy enough tonight for us to hear. When are you ready for us?

Mr. Hunter: (San Francisco.) Right now, anytime.

Mr. Kingsbury: All right. Let us have the roar of the Pacific and we will have moving pictures to show where the roar comes from.

Mr. Hunter: (San Francisco.) All right.

Mr. Kingsbury: (To audience.) Pictures will be thrown on the screen to show where the roar is taken in the Pacific, down at the Cliff

House in San Francisco. A telephone receiver is placed on the pier at the Cliff House. Can you hear the roar of the waves?

Moving pictures were shown, showing the Pacific coast and the waves breaking on the shore, while the roar of the waves was distinctly heard by the conference over the telephone.

Mr. Kingsbury: Hello.

Mr. Hunter: (San Francisco.) Hello, Mr. Kingsbury.

Mr. Kingsbury: Now, will you give us the Star Spangled Banner?

The Star Spangled Banner was played in San Francisco and heard by the Conference over telephones.

Mr. Kingsbury: Hello, San Francisco.

Mr. Hunter: (San Francisco.) This is San Francisco.

Mr. Kingsbury: Good night, Mr. Hunter.

Mr. Hunter: (San Francisco.) Good night, Mr. Kingsbury.

"Good night" was then said to each city on the line across the continent.

Mr. Kingsbury: Last, but not least, Hello Evansville!

Mr. Gibbs: (Evansville.) This is Evansville, Mr. Kingsbury. Good-night.

Mr. Kingsbury: Good night. Thank you very much. (Continued applause.)

Mr. Henry C. Murphy: Mr. Toastmaster, gentlemen of the Conference and ladies: I want to move the heartiest vote of thanks to Mr. Kingsbury, to Mr. Hobson, to Mr. Brown, to Mr. Webb and their associates in the American Bell System for their wonderful kindness in giving us this marvelous demonstration.

Hon. Benjamin Bosse: I want to second the motion..

Mr. Henry C. Murphy: Mr. Hobson is the toastmaster and modesty would prevent him from putting the motion himself. I ask you all to say "aye".

The motion was unanimously carried. (Applause.)

The Toastmaster: In behalf of Mr. Kingsbury, Mr. Brown and Mr. Webb and our company employes, I thank you very much, Mr. Murphy, for your motion and you, ladies and gentlemen, for your hearty accord. (Applause.)

Gentlemen, as I told you when the resolutions reported by your resolutions committee were introduced, we do not wish to pass any resolutions, voicing this Conference's sentiments, which do not meet with the full approval of the Conference. If the gentleman who rose to object to that clause in the resolutions, will merely state his objection, if the Conference wishes, that clause will be stricken from the resolutions. We do not purpose to pass any resolutions which do not meet with practically the unanimous consent, or the approval of a very large majority of the delegates who attended this Conference.

Hon. Benjamin Bosse: May I offer a substitute, Mr. Toastmaster?

The Toastmaster: You want to offer a substitute for the resolutions? I promised Mr. Finn to give him the floor first when the resolutions were under consideration. The Mayor has asked that he be permitted to substitute.

Hon. Benjamin Bosse: May I have the floor now, Mr. Chairman?

The Toastmaster: You may. Have you a substitute?

Hon. Benjamin Bosse: Yes, sir.

The Toastmaster: The Mayor wishes to offer a substitute. Perhaps that, Mr. Finn, will meet your views. Then I will call on you and you can say what you please.

Hon. Benjamin Bosse: The members of the committee on resolutions beg to offer a substitute for paragraph six of the resolutions as read. We beg to offer this substitute: "We favor the adoption of more prompt, efficient methods by which discriminations between rates established by state and federal authority may be eliminated," instead of the following: "We favor federal regulation of railroad rates, authority to be vested with the Interstate Commerce Commission with regional sub-commissions sitting in various traffic districts and that this regulation follow the natural lines of commerce and not the artificial lines of states."

Mr. Lawrence Finn: Mr. Toastmaster.

The Toastmaster: Mr. Finn of Kentucky.

Mr. Lawrence Finn: There are two things which I have accomplished by my objection: The first is that the resolutions have not been adopted until tomorrow by Washington time; the next is that they have been amended.

Another proposition that I desire to call to your attention is this: That in this peaceful assembly where quietude and serenity reigns supreme but one nationality on earth would raise one note of discord, and that is the Irish. I am an Irishman. (Laughter.) There are some wonderful things that have happened here tonight to which I desire to call your attention. I heard one gentleman talking over the telephone, and I want you to get the intonation that I place upon my voice, which is but a repetition literally of that intonation that he placed upon his voice. He said that he was a "Hughesa". He should have said that he was a "Hoosa" and not a "Hughesa".

Another gentleman who spoke here this evening said that it would only take one spoon of water to operate the telephone for an indefinite length of time. I tell you that I have here before me the positive proof that it takes almost an ocean of oxygen and hydrogen to operate the railroad systems of this country. The proposition, Mr. Toastmaster, before this convention is simply this, resolved to its last analysis, that all control of common carriers shall be centralized in the federal government. And why? Because common carriers in this country operate under state charters. Those state charters provide what? Thirteen states of this Union, from which ninety per cent. of the railroads received their charters, under which they had their existence, provide that no corporation shall issue stocks and bonds except for an equivalent of money paid, only upon property actually received and applied to the purposes for which said corporation was created, and that little or no water shall be received in payment of stocks or bonds.

Why do the common carriers want a federal incorporation act? Not to be relieved of the conflict between the several states, as has been stated here. I will show you, my friends, that that is not true. The Louisville & Nashville Railroad Company operates through the states of Kentucky, Illinois, Georgia, North Carolina, Virginia, Tennessee, Alabama, Florida, Louisiana and Mississippi. All of these states have railroad commission regulating the Louisville & Nashville Railroad Company any yet, my friends, the Louisville & Nashville Company earned a return in 1916 equal to 19.4% upon its capital stock.

They tell us that the railroad companies are limited in their earning capacity. I defy a single individual in the State of Kentucky to loan his money and collect exceeding six per cent. If he tries to and goes to court about it, you can declare the excess usury and refuse to pay it.

I will only call your attention to the fact that the Chicago, Milwaukee & St. Paul Railroad Company runs through ten states, Illinois, Wisconsin, Michigan, Minnesota, Iowa, Missouri, North Dakota, South Dakota, Montana, Idaho and Washington, and notwithstanding the fact that it runs through all of these states the Chicago, Milwaukee & St. Paul Railroad Company in 1916 earned 16.32 per cent. upon its capital stock.

My friends, I could continue these illustrations almost indefinitely, but I want to show you here tonight that there is but one object of the common carrier, and what is that? Federal incorporation. Why? Because so long as they receive their state charters they are bound by the limitations of the very law that gives them their existence. The Interstate Commerce Commission today is spending millions of dollars to value the railroads of the country. They have thousands of employes in the field—for what purpose? Both political parties in this country declare that the stocks and bonds of the railroad companies represent a fictitious valuation. Woodrow Wilson was elected upon a platform that declared in favor of the valuation of corporations, and if you will read the campaign book that was issued by his national committee, placed into the hands of democratic speakers that were to go before the nation and educate the public, you will find therein that everyone of Woodrow Wilson's campaign managers declared to the public that there were \$9,500,000,000 of watered stock in the railroads of this country.

Now, Mr. Toastmaster, all I ask of you, and all I ask the gentlemen here tonight, is this:

First, I say that today and yesterday, you have been criticising the politicians of this country. Why? Because they acted in haste. You say that you are a band of business men here today. I ask you if you are a band of business men assembled here for the purpose of coming to some conclusions as a result of investigation, do not act hastily. Do not act with haste, but act with that self-same, deliberate judgment, which ought to characterize an assembly of business men and which you said in your criticism should characterize the demagogue and the politician.

Another proposition that I ask is that when you put this vote tonight is that you separate the vote. Let those who are stockholders and employes of the railroad companies vote upon this proposition separately. Exclude the railroad commissioners and take a separate vote from them. Let the unbiased public that pays the freight rate also vote upon this proposition, so that the public will know where the sentiment is that prompted the vote upon the resolutions that have been offered here. (Applause.)

(Calls for question.)

The Toastmaster: Gentlemen, the question is called for. Is there any further debate or shall the question be put.

Mr. Robert Bonham: What is the question?

The Toastmaster: The question before the house is on the adoption of the resolution offered by the resolutions committee as amended by the committee.

Upon the motion being put to a vote the ayes were declared to have it and the motion declared carried. (Applause.)

The Toastmaster: Gentlemen, we thank you very much for your attention. The Central States Conference on Rail and Water Transportation is now adjourned.

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